European Securities and Markets Authority

Final Report

Draft RTS on the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of on-going supervision by ESMA

22 December 2011 | ESMA/2011/464

European Securities and Markets Authority

Date: 22 December 2011
ESMA/2011/464

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Acronyms used

CRA	credit rating agency
RTS	Regulatory Technical Standards
ESMA	European Securities and Markets Authority
CESR	Committee of European Securities Regulators

I. Executive summary

Reasons for publication

Article 21(4)(e) of Regulation (EC) No 1060/2009 ("the Regulation") on credit rating agencies ("CRAs") requires ESMA to submit, by 2 January 2012, draft Regulatory Technical Standards for endorsement by the European Commission on: the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of on-going supervision by ESMA .

ESMA has consulted market participants on the proposed draft RTS through a public consultation launched on 19 September 2011. The Securities and Markets Stakeholder Group (SMSG) established under the ESMA Regulation was invited to provide advice, and the European Banking Authority (EBA) and the European Insurance and European Insurance and Occupational Pensions Authority (EIOPA) have also been consulted.

Contents

ESMA has considered the feedback it received to the consultation in drafting this RTS in accordance with Article 10 of the ESMA Regulation. This document sets out a summary of the responses received by ESMA; describes any material changes to the proposed RTS and the cost-benefit analysis on which ESMA has consulted from the 19 September to the 21 October 2011; and includes the final draft RTS which will be submitted to the Commission.

Next steps

The draft RTS will be submitted for adoption by the Commission in accordance with Article 21(4) of the CRA Regulation. The Commission has three months to decide whether to endorse ESMA's draft RTS.

II. Background

1. Regulation No. 1095/2010/EC ("ESMA Regulation") entrusts to ESMA the responsibility to develop draft RTS where the European Parliament and the Council delegate power to the Commission to adopt regulatory standards by means of delegated acts under Article 290 of the TFEU.

2. Article 21(4)(e) of Regulation (EC) No 1060/2009 on credit rating agencies ("the Regulation") requires ESMA to submit, by 2 January 2012, draft Regulatory Technical Standards for endorsement by the European Commission on the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of on-going supervision by ESMA .

3. In accordance with Article 10(1) of the ESMA Regulation, ESMA is required to conduct an open public consultation on the draft RTS and to analyse the potential related costs and benefits.

4. ESMA has published a "Call for Evidence on ratings data periodic reporting requirements" (ESMA/2011/156) on 26 May 2011, with the aim to collect data and information for a preliminary assessment of the reporting requirements from CRAs and, possibly, other interested parties.

5. On 19 September 2011, ESMA gave market participants the opportunity to comment on the draft RTS and the impact assessment prepared on the basis of the information received from the Call for Evidence. The consultation period closed on 21 October 2011. ESMA also invited the Securities and Markets Stakeholder Group to provide advice, and consulted EBA and EIOPA on the draft RTS.

6. When preparing the draft RTS, ESMA has also taken into account the guidelines published by CESR in August 2010: "Guidance on the enforcement practices and activities to be conducted under Article 21(3)(a) of the EU Regulation No 1060/2009" (CESR/10-944). Those guidelines had required a number of operational data to be periodically reported by CRAs to national competent authorities, including monthly data concerning ratings, notably on new issues, rating transitions and reviews, withdrawals, number of issuers/transactions rated/monitored.

7. The following sections explain the main changes made to the final draft RTS concerning the ratings data reporting requirements for CRAs on the basis of the contributions received from different stakeholders through the consultation process.

8. A detailed analysis of the results of the public consultation, accompanied by the explanation of ESMA's reaction to the comments received, is enclosed in the Feedback Statement annexed to this Report.

9. The final version of the draft RTS is set out in Annex VI of this Report.

III. Changes to the draft RTS after the consultation

10. A number of responses to the public consultation have raised concerns about the monthly periodicity of the reporting, questioning its appropriateness in particular for small local CRAs.

11. In general, ESMA needs to be able to access and elaborate on up-to-date data in order to perform meaningful analysis and react effectively and timely in response to any supervisory issue that may involve credit rating agencies or activities. Receiving monthly data will avoid to ESMA the need to issue, and to

CRAs the obligation to respond to, several requests of information, adding responsiveness, velocity and efficiency to the supervisory process.

12. ESMA acknowledges, however, that compliance with monthly reporting requirements necessitates organizational and procedural arrangements that, in small agencies (with less than 50 employees), may cause a substantial diversion of resources from their primary objectives. In those cases, it appears reasonable to assume that the burden to submit monthly data may be disproportionate in respect of the relatively limited risks that, from a supervisory perspective, would be posed by the rating activities concerned.

13. With a view to enhancing proportionality, the draft RTS have been adjusted as to grant small local CRAs the opportunity to submit ratings data on a bimonthly basis, instead of every month. In any case, ESMA should be always able to require monthly reporting where the size, nature or other peculiarity of the concerned ratings would justify a particular attention from the supervisory side.

14. An important input that came from the consultation has regarded the criticality of requiring information on factors that, being deeply rooted in the EU Regulation, may be difficult to be reported in respect of ratings or actions conducted outside the European Union. This applies, in particular, to the reporting of the reasons underlying the placement of a rating under observation, where the language used in the Consultation Paper referred strictly to the circumstances as set out in some articles of the EU Regulation.

15. Having considered the arguments above, ESMA has adjusted the draft RTS in order to ensure that reporting on the placement of a rating in a watchlist (or the assignment of a watch status) is now only accompanied by the indication of the general circumstances underlying such action, with no reference to reasons that are specific to the EU Regulation. This change has been complemented by requiring unique reporting in case of the two actions that were previously treated as different events, namely the placing of a rating under observation or in watch-list, as several respondents have confirmed that they do not distinguish between those two actions.

16. The RTS have been streamlined refocusing certain areas only on information that is more strictly relevant in light of the supervisory prerogatives and responsibilities of ESMA. This is the case, for instance, of the details of the lead analysts responsible for the ratings, which should be reported to ESMA only if those analysts are based and operate within the EU.

17. Several respondents requested further clarifications on the reporting of instrument, issuer and originator identifiers proposed in the draft RTS presented in the Consultation Paper. In particular, comments have stressed the costs linked to the acquisition of BIC codes when these are not promptly available to the CRA as part of the information processed in the credit analysis.

18. An important priority for ESMA is that of being able to run cross-analysis on a panel of ratings concerning the same issuer, or including peer-review assessments. For this purpose, ESMA has decided to keep the request to obtain the internal identifiers used by CRAs in respect of rated instruments, issuers and originators. However, CRAs will be required to submit the BIC codes of issuer and originators only to the extent to which they process and record those data as part of the set of information underlying the issuance or maintenance of a rating.

19. The consultation has highlighted a possible lack of clarity on the exact scope of the data to be reported to ESMA pursuant to the draft RTSs. Some uncertainty may have partly emerged from comparing the requirements in this RTS with those regarding the CEREP, which are being established for the different purposes of Article 11(2) and point 1 of Part II of Section E of Annex I to the CRA Regulation. The CEREP is in fact built mostly around the concept of issuer ratings, while the reporting requirements

herein proposed for on-going supervision are intended to cover the entire set of independent ratings assigned by a CRA.

20.The language of the RTS (Article 4) has been amended to clarify that reporting is due for each action encompassed by the draft RTS and in respect of each rating that is concerned by that action. CRAs shall disclose the required information for each rating affected by an action, this includes the issuer rating, if any, together with every issue rating that is involved.

21.A number of responses to the consultation have voiced strong concerns regarding the timeframe for the actual implementation of the reporting requirements proposed in the draft RTS. In particular, CRAs have pointed out that the IT investments that would be needed to comply, including the testing of the systems, may take several months.

22.In order to appropriately discharge its obligations, ESMA will need to access updated and complete data concerning the rating activities conducted by the CRAs as soon as possible. However, ESMA also recognises that in order to ensure a well-established and correct reporting process, which is crucial to enable meaningful analysis, there need to be in place adequate IT infrastructures and systems. From this perspective, not only CRAs will have to update their systems and procedures, but also ESMA, whose IT developments will have to be reflected in the technical specifications provided as reporting instructions to the CRAs. In addition, the implementation of the reporting platform will require CRAs to process and record certain types of information that they may have so far not always systematically tracked.

23.In light of the above, the RTS have been adjusted to provide a transitional period of six months between the publication and entry into force of the relevant delegated Regulation by the European Commission and the actual application of the reporting requirements established. This should provide a sufficient buffer of time for CRAs to develop and test their systems ahead of the actual implementation of new requirements. However, it will also create the necessity for ESMA to obtain periodic ratings data from CRAs, during the long transitional period, through a different interim mechanism (building on the existing guidelines issued by CESR in August 2010, whose effects will cease from the date of application of the new RTS.)

IV. Changes to the costs-benefit analysis

24.Some CRAs have responded to the Consultation Paper by indicating that the analysis of the costs and benefits of the proposed option was not appropriate. In particular, those respondents have requested an increase of the estimate of the costs for CRAs, as a consequence of the major innovations to systems and procedures that would be required to comply with the proposed reporting requirements. Furthermore, those respondents have also proposed to reduce the indication of the potential benefits that may result for CRAs from the possibility for ESMA to elaborate on analytical data in the performance of its supervision.

25.The impact assessment has been adjusted in order to reflect the instances above.

Conclusion

26.Having given due consideration to all the responses to the public consultation and the feedback from EBA and EIOPA, ESMA publishes in Annex VI of this Final Report the final draft Regulatory Technical Standards concerning the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of ongoing supervision by ESMA. The SMSG decided not to provide advice on this occasion.

27. The requirements encompassed in the enclosed draft RTS entail reporting, with monthly frequency, concerning a number of relevant actions conducted by the CRA. This is intended to provide ESMA with data of sufficient quality and completeness as to operate meaningful, timely and effective analysis in order to meet its supervisory objectives. The requirements have been calibrated through the public consultation process in order to ensure adequate application of the proportionality principle.

Annex I

Legislative mandate to develop technical standards

The Regulation 1095/2010/EC establishing the European Securities and Markets Authority, empowered ESMA to develop draft regulatory technical standards where the European Parliament and the Council delegate power to the Commission to adopt regulatory standards by means of delegated acts under Article 290 TFEU.

Article 21(4) of the Regulation 1060/2009/EC provided that: “ESMA shall submit draft regulatory technical standards for endorsement by the Commission in accordance with Article 10 of Regulation (EU) No 1095/2010 on:

(….)

(e) the content and format of ratings data periodic reporting to be requested from the credit rating agencies for the purpose of ongoing supervision by ESMA.

Annex II

Impact Assessment

Pursuant to Article 10(1) of Regulation (EU) No 1095/2010, accompanying:

Draft Regulatory Technical Standards on the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of on-going supervision by ESMA in accordance with Article 21(4)(e) of Regulation (EC) No 1060/2009

Executive Summary

1. Article 21(4)(e) of Regulation (EC) No 1060/2009 on credit rating agencies requires ESMA to submit, draft Regulatory Technical Standards for endorsement by the European Commission on the content and format of ratings data periodic reporting to be requested from credit ratings agencies.
2. This impact assessment examines the costs and benefits that are linked to the proposals formulated in respect of the periodic reporting requirements to be established for CRAs as set out in Article 21(4)(e) of the Regulation.
3. The two proposals that are analysed in this document are the ones initially elaborated by ESMA and published through the Call for Evidence “on the ratings data periodic reporting requirements for CRAs" (Ref. ESMA/2011/156) launched on 26 May 2011.
4. The conclusions of this Impact Assessment assign preference to the proposal consisting in requiring CRAs to submit monthly analytical data on ratings actions to ESMA.
5. This preference is primarily based on the higher potential that these data would have to support assessment of a number of areas relating to compliance with the CRA Regulation. The benefits of this potential do not seem to be offset by higher relative cost linked to the implementation of this proposal.

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1. <u>Objective and procedure</u>

7. The objective of this impact assessment is to assess the costs and benefits linked to the implementation of the ratings data reporting requirements to be applied to credit rating agencies for the purpose of on-going supervision by ESMA, in accordance with Article 21(4)(e) of Regulation (EC) No 1060/2009.

8. In the preparation of the relevant draft Regulatory Technical Standards, Article 10(1) of Regulation (EU) No 1095/2010 compels ESMA to conduct a public consultation and cost-benefit analysis on the subject, requesting also the opinion of the Securities and Markets Stakeholder Group referred to in Article 37 of the mentioned ESMA’s establishing Regulation.

9. Pursuant to the requirements above, ESMA has published on 26 May 2011 a "*Call for Evidence on the ratings data periodic reporting requirements for CRAs*" (ESMA/2011/156), and has subsequently conducted a public consultation in October 2011, with the aim to gather relevant information, including estimates of costs and benefits as well as expert judgment on technical issues, from credit rating agencies, professional users of ratings (financial institutions) and other interested third parties.

10. The responses to the Call for Evidence and to the Consultation Paper (ESMA/2011/305) have importantly contributed to the impact assessment provided in this section. The Call for Evidence closed on 20 June 2011. ESMA has received 11 responses, of which 2 came from associations of financial institutions (banks) and 9 from credit rating agencies. The public consultation closed on 21 October 2011, ESMA has received 11 responses, of which 5 came from - associations of - issuers and investors (banks) and 6 from credit rating agencies (including 1 from an association of CRAs).

2. Methodology

11. In order to assess the costs and benefits linked to the ratings data reporting requirements applicable to CRAs, the analysis has focused on the impact of such requirements on the following stakeholders:

- credit rating agencies (CRAs)
- ESMA; and
- users of ratings in general (investors, financial institutions, issuers etc.);

12. The costs and benefits that have been considered in this analysis are set out below:

COSTS:

a) for CRAs:

- fixed IT costs
- ongoing compliance costs

b) for ESMA:

- IT costs
- ongoing supervisory costs
- legal and reputational risks

c) for users of ratings in general:

- impact on cost and availability of ratings

BENEFITS:

a) for CRAs:

- improvement of exchange of information with ESMA
- reputational gains

b) for ESMA:

- effectiveness and timeliness of the supervisory process
- protection of investors and quality of credit ratings

c) for users of ratings in general:

- quality of the credit ratings

13. The impact of the costs and benefits is graphically represented by the following symbols:

Key of the impact of costs and benefits		
Low	**Medium**	**High**
√	√√	√√√

14. The comparison between the two options discussed in this Impact Assessment is done by calculating the overall costs and benefits of each of these options. This requires the calculation, for each option, of a summary figure for the costs and one for the benefits for all relevant stakeholders (financial institutions/users of ratings, CRAs and ESMA). The analysis uses different weights to aggregate costs and benefits across stakeholders, in the attempt to reflect their different relevance from the perspective of the economic system as a whole.

15. CRAs are assigned a higher weight in respect of the cost impact of the requirements, as they are the regulated entities which should directly bear the compliance costs associated with the periodic reporting. On the contrary, the weight assigned to the users of ratings (financial institutions, issuers and general market participants) is greater in respect of the advantages brought by the reporting requirements, because the benefits are supposed to be linked with the higher quality of the ratings, which is presumably correlated with the effectiveness of the supervisory action. The position of ESMA is also very important from the perspective of the benefits, as the reporting requirements are meant to be set out primarily to serve the purposes of ongoing supervision. The weighting systems are the following:

Weights assigned to stakeholders regarding the costs of the reporting requirements		
Credit Rating Agencies	**ESMA**	**Users of Ratings**
60%	**20%**	**20%**

Weights assigned to stakeholders regarding the benefits of the reporting requirements		
Credit Rating Agencies	**ESMA**	**Users of Ratings**
10%	**45%**	**45%**

3. The options considered

16. Having conducted its preliminary analysis, ESMA has presented in the Call for Evidence two different options concerning the data that CRAs should periodically submit, requiring in both cases a monthly frequency for the reporting. In particular, ESMA has considered to request:

- Option 1: analytical data on rating actions; and
- Option 2: aggregate data on ratings.

17. The option to require analytical data has been taken into account on grounds of the additional value that a continuous flow of micro-data on rating actions could provide, which could facilitate a more effective supervision of CRAs. The formulation of the option as presented in the Call for Evidence envisaged, with no intention to be exhaustive, the reporting from CRAs of the following type of information:

- Identifier of relevant rating;
- Date and hour of the publication of the rating action;
- Issuer/SPV to which the rating action is referred to;
- Financial instruments to which the rating action is referred to (if applicable) ;
- ISIN code of the financial instruments (if applicable);
- Level of the rating (e.g. AAA, A+, etc.) after the rating action;
- Type of rating (i.e. corporate, structured finance, sovereign and public finance);
- Time horizon of the rating (long term, short term, etc.);
- Indication of solicited vs. unsolicited rating;
- Period of validity of the rating (if applicable);
- Type of rating action (i.e. new rating, upgrading, downgrading, rating outlook positive/negative, rating review/rating watch, withdrawal of rating);

- Date and hour of the adoption of the rating action;
- Date and hour of the communication of the rating action to the rated entity (before the publication), as provided by the Regulation;
- Subsidiary of the CRA which issues the rating action and persons responsible of the rating action.

18. The possibility to request CRAs to submit monthly ratings data in aggregate and summarized form has been considered as a more flexible and practical approach to supervisory reporting. Aggregate data would probably allow an analysis at a higher level, but may still provide indications (on trends, activities and potential issues) that could be further investigated by ESMA through specific requests of information in accordance with Article 23(b) of the Regulation.

19. This second option, as specified in the Call for Evidence, included the reporting to ESMA of the following information:

    a. General data. For each type of rating (corporate ratings divided by sector, structured finance instruments divided by asset type, public/sovereign ratings divided by sovereign, sub-sovereign, supranationals and public entities), the following aggregated data, with breakdown by geographic location of the relevant issuer or instrument/transaction:

        - Number of total outstanding ratings at the end of each reporting period;
        - Number of new ratings;
        - Number of ratings withdrawn;
        - Number of ratings downgrades;
        - Number of ratings upgrades;
        - Number of ratings with deteriorated outlook/watch status;
        - Number of ratings with improved outlook/watch status.

    b. <u>Number of ratings transitions</u>: number of ratings which moved from one category (e.g. AA, BBB, etc.) to another category, including breakdown by rating type.

4. <u>The impact on CRAs</u>

COSTS

20. In general, CRAs have highlighted concerns regarding the risk of duplication of the obligations which they have to fulfil in respect of reporting to the Central Repository (CeRep) established by ESMA, in accordance with Article 11(2) of the Regulation.

21. CRAs have emphasized the burden linked to the monthly frequency of the proposed reporting mechanism, querying ESMA's capacity for analysing the large volume of data which would originate from monthly submissions. It has been stressed, in fact, that ESMA could integrate the semi-annual data provided by the CeRep through specific requests of information pursuant to Article 23(b) of the Regulation. In addition, some of the responses to the Call for Evidence suggested ESMA to obtain up-to-date

data by simply accessing the information that CRAs post on their websites or make available to subscribers or, to the public, through information providers.

22. However, CRAs have broadly confirmed their capability to manage the delivery of the flows of information required under the proposed reporting requirements, albeit with some adjustments to their systems.

23. Some respondents to the Call for Evidence have expressed preference for the proposal consisting in the reporting to ESMA of ratings data in aggregate form (Option 2). It has been claimed that this option would be better aligned with ESMA's overall objectives, as it would offer the opportunity to ESMA's Staff to act more efficiently, focusing on systemic trends and issues.

24. In terms of costs, the preference for Option 2 has been claimed on the basis of the savings that it would offer because of the possibility to leverage the development of system architectures and business logics on the solutions adopted for the CeRep, as the data to be extracted would be rather similar. This would not occur with the same intensity under Option 1.

25. The indications of the lower costs of Option 2 with respect to Option 1, however, remain rather vague, as those who explicitly favoured Option 2 did not provide estimates of costs to substantiate their positions, while all respondents that have presented cost figures did not report any distinctions between the two options. Actually, some responses indicated an increase of operating costs, to aggregate the data, under Option 2 as opposed to Option 1 (one respondent quantified this impact as an additional 10% of ongoing costs to create the aggregates).

Fixed IT costs

26. All respondents reported the necessity to adjust their technical infrastructures in order to meet the reporting requirements prospected in the Call for Evidence and in the Consultation Paper. In addition to the software innovations needed to automatise the submission of more frequent reports (partly) different from the existing CeRep files, CRAs claimed they should incur significant IT costs in order to reconcile and connect their databases, as the required data points appear to be currently tracked for different purposes, thus, at different levels within the organizations and through different tools.

27. CRAs of different size, organization and complexity have provided different estimates of the technical investments required in light of the proposed reporting requirements. The responses have confirmed that these expenses would mainly be fixed one-off costs, but did not exclude implications in terms of ongoing costs associated to the maintenance of the concerned IT architectures of the firm.[1]

28. The figures provided by the CRAs through the Call for Evidence as regards the needed of IT updates varied in the region of € 10,000 - 40,000, with the smaller entities predicting about 20 man-hours to set up the systems, while the costs reported by larger CRAs range up to €70,000-125,000. After considering the additional details provided through the public consultation, a number of CRAs stressed that IT adjustments and system developments would not take less than six months to be appropriately realized and tested.

Ongoing compliance costs

29. The responses to the Call for Evidence highlighted that, depending on the different scale, type and sophistication of the rating activities conducted by the CRAs, the number of rating actions that could be

[1] However one respondent claimed an IT maintenance cost of € 8,000-10,000 per year.

reported (or elaborated for the reporting) to ESMA may, on the average, range between 800 and 5,000 per month. However, after the public consultation has clarified more in detail the type of ratings data that could have been requested, some CRAs have warned that the volume of rating actions to be reported per month may be remarkably higher than the figures that had resulted from the Call for Evidence (data points could reach up to 100,000).

30. As regards the resources possibly absorbed by the various tasks (IT, administration and compliance) involved in the reporting, the contributions to the Call for Evidence have indicated an impact of between 9 and 12 man-days per month for medium/large CRAs, which may imply an ongoing cost of up to € 50,000 per year for large CRAs. In any case, the burden would be substantially lower (down to one man-hour per month) for small local agencies.

Overall assessment of costs for CRAs

31. On the basis of the arguments illustrated above, it can be concluded that the overall cost impact on CRAs of the proposed ratings data reporting requirements is:

i) high for Option 1; provided that the data to be reported may require an adjustment of the IT infrastructures and procedures needed to track the relevant records; and,

ii) medium for Option 2; under the assumption that the systems and routines to retrieve and elaborate the data to be submitted to ESMA would imply relatively simple improvements of those already existing for reporting to the CeRep.

Costs for CRAs	
Option 1: analytical data	**Option 2: aggregate data**
√√√	√√

BENEFITS

Reputational gains

32. Public recognition of more effective supervision of rating activities should reinforce confidence in the quality of the ratings. Having in mind that the receiving of periodic ratings data may be perceived as a sign of closer supervision from ESMA, the Call for Evidence has posed questions to CRAs on the possibility that the mentioned reporting requirement may eventually generate positive reputational effects for the benefit of the same CRAs.

33. CRAs, however, have demonstrated minor or no interest for the arguments above, denying generically the possibility of any benefits from the proposed reporting requirement in addition to those already existing for the CeRep. Some responses have in fact stressed on the role of the regulatory action in promoting the transparency and integrity of the rating process. This role has been claimed to be validly supported by the public disclosure of CRAs' ratings performance through the CeRep, but it would not be improved from requiring any additional reporting of ratings data to ESMA.

34. Some responses have spotted opposite effects in terms of reputational effects, claiming that monthly reporting requirements may be perceived as an element of threat for the independence of credit ratings. In fact, CRAs may be seen as increasingly exposed to pressure from ESMA in front of normal volatility of monthly ratings data.

Improvement of exchange of information with ESMA

35. The Call for Evidence included questions on the possible improvements of the interaction between ESMA and CRAs that would follow the adoption of the proposals on periodic reporting of ratings data.

36. The questions in the Call for Evidence intended to cover the possible advantages stemming from a more efficient (continuous and standardized) exchange of information between the regulator and the regulated entities. These benefits may encompass, for instance, the lower costs due to the reduction of the specific requests of information that, in absence of periodic reporting, CRAs may frequently receive. In addition, the questions in the Call for Evidence introduced the general point of the benefits linked to the decrease of legal and operational risks towards stakeholders (regulators, clients and investors) as a consequence of the improvement of the ongoing monitoring of rating activities from supervisors.

37. Respondents did not manifest particular interest in the questions introduced above, or dissented with the views suggested thereof. Few comments, on the contrary, stressed on opposite aspects, focusing on the risk of a more burdensome interaction between CRAs and ESMA, as CRAs may have to commit more resources to provide frequent clarification to ESMA on explainable volatility of monthly ratings data.

Overall assessment of benefits for CRAs

38. From the considerations above, it should be concluded that the overall benefits for the CRAs from the proposed reporting requirements are expected to be very limited under both Option 1 and Option 2.

Benefits for CRAs	
Option 1: analytical data	**Option 2: aggregate data**
-	-

5. The impact on ESMA

COSTS

IT costs

39. The ratings data reported by the CRAs will be submitted to ESMA through a secure interface, and will be stored, maintained and processed automatically by its internal databases and systems, which should include a platform encompassing tools and applications available for supervisory analysis. In light of the confidentiality of the information processed, the system should meet a high level of security and would have to be entirely dedicated to, and only accessible by, the Staff of ESMA in charge of supervision of CRAs.

40. The resources to cover the IT developments needed for the acquisition and treatment of the data have been fully budgeted by ESMA. Nonetheless, ESMA should seek to exploit the maximum possible economies of scope with the CeRep project, which has reached its final stage (about to enter in production). Contrarily to what assumed by some respondents to Call for Evidence, ESMA may secure greater synergies with the CeRep project by exploring the route consisting in the collection of analytical data on rating actions, as also the CeRep is fed with raw data points and computes on its own queries and elaborations of the data. Therefore, the designing of the logical architecture and the realization of the systems and applications required under Option 1 would substantially benefit from the previous experience of the CeRep.

Ongoing supervisory costs

41. The analysis of analytical data is likely to require ESMA, at least initially, more effort and time than the monitoring of aggregate measures and statistics. From this perspective, as also remarked by some respondents to the Call for Evidence, the solution foreseen in Option 2 may allow to free resources for other supervisory tasks (analysis of processes and of general compliance), diminishing the opportunity costs linked to data mining and processing.

42. However, diversion of resources may also occur in case of reporting in the aggregate form envisaged by Option 2, as in absence of the specific details needed for the supervisory assessments, ESMA may have to dedicate resources to dig into data provided, for totally different purposes, by third entities (public sources, information providers etc.).

43. In addition, the use of specific requests of information, to fill the gaps linked to the availability of only aggregate data concerning ratings, may slow the activities of ESMA and bring losses of timeliness (supervisory opportunity costs) in analysing the relevant information.[2]

Legal and reputational risks

44. Access to loads of analytical data on rating actions can be perceived as a source of potential legal and reputational risk for ESMA. These risks would be mainly linked to the obligation for ESMA to ensure appropriate and continuous monitoring and processing of a substantial deal of information, which would follow from the establishment of reporting requirement of great level of granularity. Furthermore, the confidentiality of this information should be strictly guaranteed.

45. Similar arguments, however, may also regard Option 2. In fact, if by focusing on aggregate data ESMA failed to notice warnings visible from individual rating actions, it would be probably incur comparable legal and reputational effects. Actually, the main determinants of legal and reputational risks appear to be linked to the expectations of external stakeholders or to the general obligations that the Authority must discharge; these determinants are unlikely to change materially depending on the type of ratings data possessed by ESMA under the two options considered.

Overall assessment of costs for ESMA

[2] In addition, the discontinuity of the flaws of granular data on ratings/rating actions which ESMA would receive through specific *ad-hoc* requests may not facilitate an appropriate consolidation within its Staff of the skills and competences needed to process this type of data when they are received.

46. The total costs for ESMA linked to the implementation of systems and procedures to receive and process the periodic data submitted by CRAs cannot be easily differentiated between the two options proposed. These costs appear to be deeply intertwined with the general costs of supervision that ESMA must support to fulfil its obligations. However, some ongoing components (including reputational costs) may be higher under Option 1 and, as a consequence, it can be concluded that the impact for ESMA is:

i. low/medium for Option 1; and

ii. low for Option 2.

Costs for ESMA	
Option 1: analytical data	**Option 2: aggregate data**
√√	√

BENEFITS

<u>Effectiveness and timeliness of the supervisory process</u>

47. In general, receiving monthly reporting of ratings data should allow ESMA to conduct more effective supervision of CRAs. The type of assessments that may be based on those data, however, may partly differ between the two options considered.

48. Aggregate data on ratings would in fact facilitate the analysis of trends and general dynamics of the rating activities, while the analytical data may allow a more in depth analysis of individual rating actions. The presence of granular data in its databases, however, could allow ESMA to set up programmes to calculate, in automatic, statistics and synthetic indicators similar, and probably more comprehensive, to the aggregate measures that would be received following Option 2. Moreover, ESMA would retain control of the computation of those statistics and indicators, without having to rely on the assumptions and criteria used by the CRAs, or without being affected from their possible mistakes.

49. The flexibility offered by the availability of analytical data on rating actions can foster a more interactive and consistent supervisory process within ESMA. If the records set out in Option 1 were tracked into the systems of ESMA, it would be possible to imagine how these data could support a relatively broad range of supervisory assessments, as signals originated by rating actions may provide inputs to analysis concerning compliance in very different areas, such as disclosure an presentation of credit ratings or management of conflicts of interests. From this perspective, the aggregate data do not seem to offer the same opportunities, as the information which they may capture and convey to ESMA appears to be more general (trends and general dynamics of rating types) and, as a consequence, of a more limited use.

50. Access to up to date information and data can play a key role in determining the velocity of the supervisory action in critical circumstances. A monthly reporting frequency appears to strike a correct bal-

ance between the need for ESMA to discharge effectively its obligations and the necessity to ensure the technical and economic practicability of the reporting, as already experienced in other fields of financial legislation.

51. The analytical data indicated in Option 1 has the potential to convey a high number of warnings to ESMA, placing it in the condition to react quickly when it is needed. However, this would also require a solid capacity to discriminate among the many signals received and to appropriately filter the information as to prioritise the scrutiny of the more urgent issues.

52. ESMA should aim at achieving timeliness and efficacy of its intervention. Monthly reporting, in particular of the data collected under Option 1, is expected to contribute significantly to ensure that speed and breadth of ESMA's action are linked together, finding common ground in the ability to intercept signals or anomalies across the different rating activities. The range of information received through analytical data on rating actions may foster prompt supervisory review concerning different areas, providing precise indications that may be diluted in aggregate data.

<u>Protection of investors and quality of credit ratings</u>

53. Receiving periodic analytical data on rating actions should entail the possibility to perform a more extensive oversight of credit rating activities. For instance, ESMA may access information (directly from the reporting system or by crossing data - as individual ratings would be identified-with the CeRep) on the type of underlying assets involved by actions on structured finance ratings, or identify precisely the issuers or instruments subject to some rating actions. The benefits of those possibilities have been echoed in the responses provided by the (institutional) investors' or issuers' representatives that have contributed to the Call for Evidence or responded to the Consultation Paper.

<u>Overall assessment of benefits for ESMA</u>

54. In light of the elements considered above, it can be concluded that the overall benefits for ESMA linked to the proposals relating to the reporting requirements for CRAs are:

i) high in case of Option 1, and

ii) low/medium in case of Option 2, given the less flexible use of aggregate data for supervisory purposes.

Benefits for ESMA	
Option 1: analytical data	**Option 2: aggregate data**
√√√	√√

6. The impact on users of ratings

COSTS

<u>Impact on cost and availability of ratings</u>

55. The banking and issuers associations which responded to the Call for Evidence have expressed concerns that, in general, higher administrative burdens for credit rating agencies may determine higher

fees for issuers or investors. They have claimed that the cost of certain ratings (in particular on structured finance products) had already started rising, with impact on the profitability of some operations, which, in turns, means less funding and investment opportunities.

56. Having in mind the degree of concentration of the rating industry, it is indeed possible that the compliance costs introduced by the Regulation are in part passed on to investors. However, it remains difficult to understand the extent to which this argument could apply to the specific subject discussed, as the marginal contribution of the reporting requirements to the general compliance costs introduced by the Regulation appears to be limited.

57. In addition, the cost of the reporting should, on the overall, fulfil the proportionality principle – increasing with the size and complexity of the CRA- in respect of both its fixed and ongoing components. As a consequence, the introduction of reporting requirements should not contribute to alter, to a further extent, the competitive conditions in the rating industry, and should not affect the availability and composition of ratings on the market.

58. Furthermore, respondents have shown beliefs that, once the reporting mechanism is consolidated and standardized, the additional compliance costs originated by the reporting requirements should gradually decrease, as the proximity in time between the adoption of the actions and the delivery of the information to ESMA should make the relevant data readily available to the CRAs.

Overall assessment of costs for users of ratings

59. In light of the arguments discussed above, it can be concluded that the overall cost impact on users of ratings linked to the proposed periodic reporting requirements is low in both options.

Costs for users of ratings	
Option 1: analytical data	**Option 2: aggregate data**
√	√

BENEFITS

Quality of the credit ratings

60. The responses to the Call for Evidence and to the public consultation have shared consensus regarding the possible improvements for supervision by ESMA that may follow the establishment of appropriate period reporting channels from CRAs. In particular, the respondents stressed on the improvements that would follow if ESMA used analytical data on rating actions to strengthen oversight not only on rating processes and decisions, but also on the level of compliance from CRAs with the rules concerning the presentation of credit ratings and communication with investors and issuers.

61. Respondents have expressed positive expectations concerning the fact that the availability of analytical data on rating actions may put ESMA in the condition to ensure more effective enforcement of the re-

quirements set out for rating methodologies by Article 8(3) of the Regulation. Eventually, this should increase the quality of the ratings and enhance the efficiency and integrity of the market.

Overall assessment of benefits for users of ratings

62. From the arguments above, it can be concluded that the impact in terms of benefits for the users of ratings of the proposals concerning the reporting requirements for CRAs is:

iii) high in case of Option 1, and

iv) low/medium in case of Option 2, as information on specific rating types or actions, or concerning communication with investors and issuers, could not be captured from aggregate data.

Benefits for users of ratings	
Option 1: analytical data	**Option 2: aggregate data**
√√√	√√

7. Summary of the Impact Assessment

63. This section illustrates a summary of the impact assessment concerning the proposals analysed in respect of the periodic reporting requirements that may be imposed on credit ratings agencies.

64. The analysis presented in the previous sections has addressed the impact on stakeholders (CRAs, ESMA and users of ratings) from the point of view of the costs and benefits that would be brought to them from the establishment of monthly ratings data reporting requirements for CRAs. The impacts are measured by the number of ticks in the tables illustrated in the previous paragraphs.

65. Those measures must be now aggregated across stakeholders, in order to obtain single summary figures of the costs and benefits under the different proposals. This calculation is carried out using the weights presented in paragraph 15, in order to adequately reflect the relative importance of the different stakeholders in the assessment of the overall costs and benefits for the economic system.

66. From the comparison in the table below, it appears clear that the overall cost linked to reporting of analytical data on rating actions is expected to be higher than the one associated to the reporting of aggregate data. This is mainly because the initial impact relating to the procedures and technical infrastructures that CRAs would need to set up to track the records required under Option 1 is anticipated to be more significant than the cost of collecting and filing aggregate data on ratings.

67. Once the reporting routines are established and automatised, the ongoing compliance costs for CRAs should sensibly diminish overt time under both the proposals considered. However, it can be concluded that a (marginal) additional cost, from extracting, verifying and processing the analytical data, would still persist over time in respect of Option 1, as opposed to Option 2, for both ESMA and the CRAs.

Calculation of the overall impact of the costs of the reporting requirements							
Stakeholders		**CRAs**	**ESMA**	**Users of ratings**	**Aggregation of costs**	**Overall Impact**
Option 1 (analytical data)	**Cost**	√√V	√√	√	√√ √	**Medium/High**
	Weight	**60%**	**20%**	**20%**		
Option 2 (aggregate data)	**Cost**	√V	√	√	√√	**Low/Medium**
	Weight	**60%**	**20%**	**20%**		

68. As for the benefits, the table below illustrates a different situation. The solution regarding the analytical reporting of rating actions prevails over the proposal that encompasses aggregate data. The comparative advantage of Option 1 derives fundamentally by the granularity of the information to be reported. This includes details of the rating actions which can be used to support a broad set of supervisory assessments, for which these data would provide precise and timely indications.

69. The improvement of the effectiveness of the supervisory action from ESMA that is anticipated under Option 1 may have important implications for the overall efficiency and integrity of the market. In fact, ESMA's access to periodic analytical data on rating actions may also reinforce the incentives for CRAs to verify the accuracy and consistency of their ratings, improving the quality of the rating process.

Calculation of the overall impact of the benefits of the reporting requirements						
Stakeholders		**CRAs**	**ESMA**	**Users of ratings**	**Aggregation of benefits**	**Overall Impact**
Option 1 (analytical data)	**Benefits**	-	√√√	√√√	√√√	**High**
	Weight	**10%**	**45%**	**45%**		
Option 2 (aggregate data)	**Benefits**	-	√√	√√	√√	**Low/Medium**
	Weight	**10%**	**45%**	**45%**		

70. In conclusion, the analysis conducted in this Impact Assessment assigns preference to the solution represented by Option 1, which requires periodic reporting of analytical data on individual rating actions. The conclusion reflects the relative advantage from the benefits side which follows Option 1; this advantage is not compensated by an equivalent gain deriving from the lower costs under Option 2.

SUMMARY OF THE IMPACT ASSESSMENT		
	COSTS	**BENEFITS**
Option 1 (analytical data on ratings actions)	Medium/High	High
Option 2 (aggregate data on ratings)	Low/Medium	Low/Medium

Annex III

Draft Regulatory Technical Standards

2012/[…] (COD)

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

supplementing Regulation (EC) No 1060/2009 of the European Parliament and of the Council with regard to regulatory technical standards on the content and format of ratings data periodic reporting to be submitted to the European Securities and Markets Authority by credit rating agencies

of ……. 2012

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[3] and in particular point (e) of Article 21(4) thereof

Whereas:

1. Point (e) of Article 21(4) of Regulation (EC) No 1060/2009 requires the European Securities and Markets Authority (ESMA) to submit by 2 January 2012 draft regulatory technical standards to be endorsed by the Commission concerning the content and format of the ratings data that credit ratings agencies should periodically report to ESMA. The purpose of this periodic reporting is to allow ESMA to discharge its responsibility with regard to the ongoing supervision of credit rating agencies, as established by Article 21(1) of that Regulation.

2. In addition to receiving details of rating activities including internal reports and updates, ESMA should be able to address, where necessary and appropriate, specific requests of information to credit ratings agencies, in accordance with Article 23b of Regulation (EC) No 1060/2009.

[3] OJ L 302, 17.11.2010, p. 1.

3. Ratings data should allow ESMA to supervise closely the conduct and activities of credit rating agencies, so as to be able to react promptly in case of actual or potential breaches of the requirements of Regulation (EC) No 1060/2009. For this reason, ratings data should normally be reported to ESMA on a monthly basis. However, in order to ensure proportionality, credit rating agencies that have fewer than 50 employees and that are not part of group should be able to submit ratings data on a bimonthly basis, instead of every month. ESMA should be able to require those credit ratings agencies to provide monthly reporting requirements, in light of the number and type of their ratings, including the complexity of the credit analysis, the relevance of the rated instruments or issuers and the eligibility of the ratings to be used for purposes such as those of Directive 2006/48/EC.

4. The data to be reported should be compiled in a standard format to allow ESMA to receive and process the records automatically in its internal systems. Due to technical progress over time, a number of technical reporting instructions concerning the transmission or the format of the files to be submitted by credit rating agencies may have to be adjusted or clarified by ESMA through specific communications or guidelines.

5. With a view to ensuring complete and correct reporting of ratings data, and to taking into account further developments in the financial markets, it is important to enable credit rating agencies to develop adequate systems and procedures following the technical specifications provided by ESMA. For this purpose, the application of the reporting requirements established in this Regulation should commence six months after its entry into force; in the meanwhile, credit rating agencies should submit periodic ratings data in accordance with the existing guidelines issued by the Committee of European Securities Regulators.

6. Credit rating agencies that are part of a group should be able to either report their ratings data separately to ESMA, or mandate one of the other agencies within the group to submit the data on behalf of all group members that are subject to the reporting requirements.

7. 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.

8. ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010.

HAS ADOPTED THIS REGULATION:

Article 1

Subject matter

This Regulation sets out the content and format of ratings data periodic reporting to be requested from credit rating agencies for the purpose of ongoing supervision by the European Securities and Markets Authority (“ESMA”), in accordance with point (e) of Article 21(4) of Regulation (EC) No 1060/2009.

Article 2

Reporting principles

1. Credit rating agencies shall comply with the requirements established by this Regulation and shall be responsible for the accuracy and completeness of the data reported to ESMA.

2. In the case of a group of credit rating agencies, the members of the group may mandate one member to submit reports required under this Regulation on behalf of itself and the other members of the group. Each credit rating agency on whose behalf a report is submitted shall be identified in the data submitted to ESMA.

3. Reports submitted in accordance with this Regulation shall be submitted on a monthly basis and shall provide rating data relating to the preceding calendar month.

4. Credit rating agencies that have fewer than 50 employees and that are not part of a group of credit rating agencies may submit reports on a bi-monthly basis that provide rating data relating to the preceding two calendar months, unless ESMA informs the credit rating agency that it requires monthly reporting in view of the nature, complexity and range of issue of its credit ratings.

5. Reports shall be submitted to ESMA within fifteen days of the end of the period which is the subject of the report.

6. Credit rating agencies shall notify ESMA immediately of any exceptional circumstances that may temporarily prevent or delay their ability to report in accordance with this Regulation.

Article 3

Data to be reported

1. At the end of the first reporting period, a credit rating agency shall include in its reporting to ESMA the qualitative data specified in Table 1 of the Annex. Where those data change during a subsequent reporting period, the new data shall be submitted to ESMA.

2. Credit rating agencies shall provide the data set out in Table 2 of the Annex for each action indicated in that Table and each credit rating concerned by that action. The actions to be reported shall refer to credit ratings issued or endorsed by the credit rating agency.

3. Without prejudice to paragraph 1, where no action as specified in Table 2 has occurred during a reporting period, the credit rating agency shall not be obliged to submit data for that period.

4. The data specified in Table 1 and Table 2 of the Annex shall be submitted to ESMA in separate files. The qualitative data set out in Table 1 shall be submitted prior to the submission of the data set out in Table 2.

Article 4

Rating types

1. A credit rating agency shall classify the ratings to be reported in accordance with the following types:

   (a) corporate ratings;

   (b) structured finance ratings;

   (c) sovereign and public finance ratings;

   (d) covered bond ratings.

2. For the purpose of paragraph 1, structured finance ratings shall relate to a financial instrument or other assets resulting from a securitisation transaction or scheme referred to in Article 4(36) of Directive 2006/48/EC. When reporting structured finance ratings, a credit rating agency shall classify the rating within one of the following asset classes:

   (a) Asset-backed securities. This asset class includes 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 prime and non-prime residential mortgage-backed securities and home equity loans.

   (c) Commercial mortgage-backed securities. This asset class includes 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 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.

3. Covered bond ratings shall relate to covered bonds which are not included in the list of asset classes regarding structured finance ratings set out in paragraph 2.

Article 5

Reporting procedure

1. Credit rating agencies shall submit data files in accordance with the XML schemes and using the reporting system established by ESMA. They shall name the files according to the naming convention indicated by ESMA.

2. Credit rating agencies shall store the files sent to and received by ESMA in electronic form for at least five years. These files shall be made available to ESMA on request.

3. Without prejudice to paragraph 1 of Article 3, where a credit rating agency identifies factual errors in data that has been reported, it shall cancel and replace the relevant data.

4. To cancel data a credit rating agency shall send to ESMA a file including the fields specified in Table 3 of the Annex. Once the original records have been cancelled, the credit rating agency shall send the new version of the records by using a file that includes the fields specified in Table 1 or Table 2, as appropriate.

Article 6

Entry into force

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

It shall apply from ...[4].

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]

[4] *OJ please insert date six months from the date of entry into force of this Regulation.*

ANNEX

Table 1: Qualitative data for the first reporting and subsequent updates

No.	Field identifier	Description	Type	Standard
Technical fields to be included only once in the qualitative data file				
1	Version	The version of the XML Schema Definition (XSD) used to generate the file.	Mandatory.	Shall be the exact version number.
2	Creation date and time	The date and time when the file is created. It shall be reported as Coordinated Universal Time (UTC).	Mandatory.	ISO 8601 Extended Date Time Format: YYYY-MM-DD (HH:MM:SS)
3	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.
Business fields to be included where applicable and as many times as necessary in the qualitative data file				
4	CRA name	Name of the credit rating agency. It shall correspond to the name of the credit rating agency as notified to ESMA. In case one member reports for the whole group it shall be the name of the group of credit rating agencies.	Mandatory for initial reporting or in case of changes.	--
5	Rating scale identifier	Identifies uniquely a specific rating scale of the credit rating agency.	Mandatory for initial reporting or in case of changes.	--
6	Rating scale validity date	The date from which the rating scale starts being valid.	Mandatory if 'rating scale identifier' is reported.	ISO 8601 Date Format (YYYY-MM-DD).
7	Time horizon	Identifies the time horizon	Mandatory if	– 'L' in case the rating scale

No.	Field identifier	Description	Type	Standard
		referred to by the rating scale.	'rating scale identifier' is reported.	is applicable to long term ratings; – 'S' in case the rating scale is applicable to short term ratings.
8	Scope of the rating scale	Description of the type of ratings included in the scale, including the geographical scope where relevant.	Mandatory if 'rating scale identifier' is reported.	– Maximum of 200 characters
9	Rating category label	Identifies a specific rating category within the rating scale.	Mandatory if 'rating scale identifier' is reported.	--
10	Rating category description	Definition of the rating category in the rating scale.	Mandatory if 'rating scale identifier' is reported.	--
11	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.
12	Notch label	Identifies a specific notch within the rating scale. Notches provide additional detail to the rating category.	Mandatory if a notch is included in the rating scale for which a 'rating scale identifier' is reported.	--
13	Notch description	Definition of the notch in the rating scale.	Mandatory if a notch is included in the rating scale for which a 'rating scale identifier' is reported.	--

No.	Field identifier	Description	Type	Standard
14	Notch value	Order of the notch in the rating scale. The notch value is the value that is assigned to each rating.	Mandatory if a notch is included in the rating scale for which a 'rating scale identifier' is reported.	The notch value is an integer with minimum value 1 and a maximum value of 99. Values provided must be consecutive.
15	List of Lead Analysts Internal Identifiers	List of the identifiers of the lead analysts appointed by the credit rating agency The lists shall be updated by including new lead analysts. Records may be deleted from the list only in case of errors.	Mandatory for initial reporting, or in case of updates, in respect of lead analysts that operate in the European Union.	- Each record in the list shall include the internal identifier and the full name of the lead analyst. The internal identifier shall include a maximum of 40 alphanumeric characters.

Table 2: Data to be reported to ESMA

No.	Field identifier	Description	Type	Standard
Technical fields to be included only once in the data file				
1	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.
2	Version	The version of the XML Schema Definition (XSD) used to generate the file.	Mandatory.	Shall be the exact version number.
3	Creation date and time	The date and time when the file is created. It shall be reported as Coordinated Universal Time (UTC).	Mandatory.	ISO 8601 Extended Date Time Format: YYYY-MM-DD (HH:MM:SS)
4	Reporting start date and time	The date and time of the beginning of the reporting period. It shall be reported as Coordinated Universal Time (UTC).	Mandatory.	ISO 8601 Extended Date Time Format: YYYY-MM-DD (HH:MM:SS)
5	Reporting end date and time	The date and time of the end of the reporting period. It shall be reported as Coordinated Universal Time (UTC).	Mandatory.	ISO 8601 Extended Date Time Format: YYYY-MM-DD (HH:MM:SS)
Business fields to be included where applicable and as many times as necessary in the data file				
6	Action type	Identifies the type of action carried out by the credit rating agency in respect of a specified rating.	Mandatory.	– "NW", where the rating is issued for the first time; or – "UP", where the rating is upgraded; or – "DG", where the rating is downgraded; or – "WD" where the rating is withdrawn; or – "AF" where the rating is affirmed; or – "CA" where either a "watch" or review

No.	Field identifier	Description	Type	Standard
				status is assigned to a rating or changed or removed, or an outlook/trend is assigned to a rating or, changed or removed; or – "SU" where the rating status changes from solicited to unsolicited and vice versa; or – "DF", where a default is announced for a rated issuer or instrument.
7	Outlook/Trend	Identifies the outlook/trend assigned to a rating by the CRA according to its relevant policy.	Mandatory.	– 'POS' for a positive outlook/trend; or – 'NEG' for a negative outlook/trend; or – 'EVO' for an evolving or developing outlook/trend; or – 'STA' for a stable outlook/trend; or – . 'NOT' for absence or removal of outlook/trend.
8	Watch/Review	Identifies the watch or review status assigned to a rating by the CRA according to its relevant policy.	Mandatory.	– 'POW' for a positive watch/review; or – 'NEW' for a negative watch/review; or – 'EVW' for an evolving or developing watch/review; or – 'UNW' for a watch/review with uncertain direction; or – 'NWT' for absence or removal of watch/review.
9	Watch/review	Identifies the reason for the watch/review	Mandatory if	– '1' where the

No.	Field identifier	Description	Type	Standard
	determinant.	status of a rating.	the rating is issued or endorsed in the European Union. Applicable only in case the watch/ review status is different from “NWT”.	watch/review status is due to changes in methodologies, models or key rating assumptions; or – ‘2’ where the watch/review status is due to economic, financial or credit reasons; or – ‘3’ where the watch or review status is due to other reasons (e.g. departure of analysts, occurrence of conflicts of interests).
10	Responsible CRA unique identifier	Business Identifier Code (BIC) of the credit rating agency that has performed the action.	Mandatory.	ISO 9362.
11	Rating identifier	Unique identifier of the rating. It shall be maintained unchanged over time.	Mandatory.	--
12	Rating value	Identifies the value of the rating after the action.	Mandatory.	--
13	Previous rating value	Identifies the value of the rating before the action.	Mandatory if the action type reported is different from ‘NW’.	--
14	Rating scale identifier	Identifies uniquely the scale of the rating.	Mandatory.	--
15	Internal Lead Analyst Identifier	Identifier assigned by the CRA to the lead analyst responsible for the rating.	Mandatory if the rating is issued in the European Union.	Maximum 40 alphanumeric characters
16	Country of the Lead Analyst	Identifies the country of the office of the lead analyst competent for the rating.	Mandatory.	ISO 3166.

No.	Field identifier	Description	Type	Standard
17	Solicited/ Unsolicited	Identifies whether the rating is solicited or unsolicited.	Mandatory.	– 'S' where the rating is solicited; or – 'U' where the rating is unsolicited.
18	Rating Type	Identifies the type of rating as referred to by the rating scale.	Mandatory.	– 'C' where the rating is a corporate rating; or – 'S' where the rating is a sovereign or public finance rating; or – 'T' where the rating is a structured finance rating; or – "B" where the rating refers to a covered bond that is not a structured finance instrument.
19	Country	Country code of the rated issuer or instrument. In the case of credit ratings concerning supranational organisations the country shall be indicated as 'ZZ'. In the case of credit ratings concerning structured finance instruments the country 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 record reported shall be 'ZZ'.	Mandatory.	ISO 3166-1.
20	Industry	Industry segment of the issuer.	Mandatory. Applicable only in case the rating type reported is "C".	– 'FI' in case it is a financial institution including credit institutions and investment firms; – 'IN' in case it is an insurance undertaking;

No.	Field identifier	Description	Type	Standard
				– 'CO' in case it is a corporate issuer that is not considered a financial institution or an insurance undertaking.
21	Sector	Specifies subcategories for sovereign and public finance ratings.	Mandatory. Applicable only in case the rating type reported is "S".	– 'SV' for a sovereign rating; or – 'SM' for a sub-sovereign or municipality rating; or – 'SO' for a supranational organization rating; or – 'PE' for a public entity rating.
22	Asset class	Defines the main asset classes for structured finance ratings.	Mandatory. Applicable only in case the rating type reported is "T".	– 'ABS' for an asset-backed security; or – 'RMBS' for a residential mortgage backed security; or – 'CMBS' for a commercial mortgage backed security; or – 'CDO' for a collateralised debt obligation; or – 'ABCP' for an asset-backed commercial paper; or – 'OTH' in all other cases.
23	Time horizon	Identifies the time horizon of the rating as referred to by the rating scale.	Mandatory.	– 'L' for a long term rating; or – 'S' for a short term rating.
24	Seniority	Identifies the seniority of the debt class of the issuer or instrument rated.	Mandatory. Applicable only in case the Rating type reported	– 'SE' where the issuer rating or the instrument rated is senior; or – 'SB' where the issuer rating or the instru-

No.	Field identifier	Description	Type	Standard
			is “C” or “S”.	ment rated is subordinated.
25	Currency	Identifies whether the rating is expressed in respect of local or foreign currency.	Mandatory. Applicable only for issuer ratings.	– ‘LC’ for a local currency rating; or – ‘FC’ for a foreign currency rating.
26	Action validity date and time	The date and time of validity of the action. This shall coincide with the Coordinated Universal Time (UTC) of publication of the action or distribution by subscription.	Mandatory.	ISO 8601 Extended Date Time Format: YYYY-MM-DD (HH:MM:SS).
27	Action communication date and time	The date and time of communication of the action to the rated entity. It shall be expressed as Coordinated Universal Time (UTC).	Mandatory only if the rating is issued in the European Union. Applicable only if the action is communicated to the rated entity.	ISO 8601 Extended Date Time Format: YYYY-MM-DD (HH:MM:SS).
28	Action decision date	Identifies the date when the action is decided. It shall be the date of preliminary approval (by the rating committee) of the action where this is then communicated to the rated entity before final approval	Mandatory only if the rating is issued in the European Union	ISO 8601 Date Format: (YYY-MM-DD).
29	ISIN value	ISIN of the rated instrument. It shall be maintained unchanged over time.	Mandatory if the rated instrument is assigned an International Securities Identifying Number (ISIN). Applicable only to ratings concerning instruments.	ISO 6166 code.

No.	Field identifier	Description	Type	Standard
30	Internal Instrument Identifier	Unique code assigned by the CRA to identify the rated instrument. It shall be maintained unchanged over time.	Mandatory. Applicable only to ratings concerning instruments.	Maximum of 40 alphanumeric characters
31	Issuer BIC code	BIC code of the issuer.	Mandatory if the Unique Business Identifier Code (BIC) of the issuer is available to the credit rating agency.	ISO 9362 code.
32	Internal Issuer Identifier	Unique code assigned by the CRA to identify the issuer.	Mandatory.	Maximum of 40 alphanumeric characters
33	Issuer's Name	It shall contain appropriate understandable reference to the legal name of the issuer (or the parent company of the issuer).	Mandatory	Maximum of 40 characters
34	Originator BIC Code	BIC code of the originator.	Mandatory if the Unique Business Identifier Code (BIC) of the originator is available to the credit rating agency. Applicable only in case the Rating type reported is "T".	ISO 9362 code.
35	Originator Internal Identifier	Unique code assigned by the CRA to the originator. This should read "MULTIPLE" in case of multiple originators.	Mandatory. Applicable only in case the Rating type reported	Maximum of 40 alphanumeric characters

No.	Field identifier	Description	Type	Standard
			is "T".	
36	Originator's Name	It shall contain appropriate understandable reference to the legal name of the originator (or the parent company of the issuer). This should read "MULTIPLE" in case of multiple originators.	Mandatory. Applicable only in case the Rating type reported is "T".	Maximum of 40 characters
37	Withdrawal reason	Reason in case the action reported is a 'withdrawal'.	Mandatory in case a "WD" action is reported.	– '1' for incorrect or insufficient information on the issuer/issue; or – '2' for insolvency of the rated entity or debt restructuring; or – '3' for reorganisation of the rated entity including the merger or acquisition of the rated entity; or – '4' for the end of maturity of the debt obligation; or – '5' for automatic invalidity of rating due to business model of a credit rating agency (such as expiry of ratings valid for a predetermined period); or – '6' for end of rating due to other reasons.

Table 3: List of fields for the cancellation of data

No.	Field identifier	Description	Type	Standard
Technical fields to be always included only once in the cancellation file				
1	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.
2	Version	The version of the XML Schema Definition (XSD) used to generate the file.	Mandatory.	Shall be the exact version number.
3	Cancellation date and time	The date and time of the cancellation. It shall be reported as Coordinated Universal Time (UTC).	Mandatory.	ISO 8601 Extended Date Time Format: YYYY-MM-DD (HH:MM:SS)
Business fields to be included as many times as necessary in the cancellation file				
4	Rating scale identifier	Identifies uniquely a specific rating scale of the credit rating agency.	Mandatory. Applicable only if the record to be cancelled relates to a rating scale reported as part of the qualitative data set out in Table 1.	--
5	Action type	Identifies the type of action carried out by the credit rating agency in respect of a specified rating.	Mandatory. Applicable only if the record to be cancelled relates an action reported as part of the data set out in Table 2.	– “NW”, where the rating is issued for the first time; or – “UP”, where the rating is upgraded; or – “DG”, where the rating is downgraded; or – “WD” where the rating is withdrawn; or – “AF” where the rating is affirmed; or – “CA” where

				either a "watch" or review status is assigned to a rating or changed or removed, or an outlook/trend is assigned to a rating or, changed or removed; or – "SU" where the rating status changes from solicited to unsolicited and vice versa; or – "DF", where a default is announced for a rated issuer or instrument.
6	Action validity date and time	The date and time of validity of the action.	Mandatory. Applicable only if the record to be cancelled relates an action reported as part of the data set out in Table 2.	ISO 8601 Extended Date Time Format: YYYY-MM-DD (HH:MM:SS).
7	Rating identifier	Unique identifier of the rating assigned by the credit rating agency	Mandatory. Applicable only if the record to be cancelled relates an action reported as part of the data set out in Table 2.	--
8	Reason for cancellation	The reason why the record is cancelled.	Mandatory.	--