



9 April 2014

European Securities and Markets Authority
103 rue de Grenelle
75345 Paris
France
Per Electronic Submission

**In the Matter of: Consultation paper on CRA3 Implementation Dated
11 February 2014**

Dear Sirs/Mmes.,

First of all, Japan Credit Rating Agency, Ltd. (hereinafter, "JCR"), a certified CRA under the EU regulation (EC) No 1060/2009, appreciates the opportunity to comment on Consultation Paper on CRA3 implementation dated 11 February 2014.

Following our general response to the draft regulatory technical standards on the European Rating Platform (hereinafter, "ERP"), we respond to the questions posed by the Authority.

1. Comments on Annex II: Draft regulatory technical standards on ERP

(1) General response to the Draft Regulatory Technical Standards on ERP

First of all, ratings issued by certified CRAs shall not be of systemic importance to the financial stability or integrity of the financial markets of one or more Member States of EU under Article 5-1-(d) of EU Regulation No. 1060/2009. As a matter of fact, there are few ratings that are issued by JCR and are used in EU nations pursuant to EU Regulation No. 1060/2009. If it is so, it is questionable whether the investors in EU need such various kinds of information regarding ratings issued by certified CRAs in the third countries in comparison with ratings issued by registered CRAs in EU nations.

In addition, it is quite difficult to react timely to ESMA's request not only for daily dispatching of new rating data but also for amending/revising the existing data, as JCR is located far from Europe with no representative office in Europe.

Considering the aforementioned factors, JCR sincerely asks ESMA to minimize the items to be submitted by certified CRAs to ERP system and to accept more sufficient time lag between the rating publication and the data submission to ERP.

(2) Responses to the questions posed by ESMA in the consultation paper

Q1 at Page 141: *Do you agree with the chosen frequency of reporting?*

If all items requested to provide to ERP system under the draft RTS shall be submitted within the time limit of Article 1 of the draft RTS, we do not agree with this frequency of reporting. JCR is afraid that it cannot fulfill its requirement with the chosen frequency with 100% accuracy, considering its current data system and complicated rating dissemination process as described below.

One of the difficulties JCR faces is that it takes three business days after the rating publication date for all the necessary data input to the data storing system to be finished by each responsible rating analyst. After the input, JCR verifies the accuracy of each input by person responsible for administrating the data storing system and it needs a few days after the data input. In addition to the current data input, the data set to ERP includes several items that we do not include in the current data storing system. We need to ask each responsible analyst to additionally input such data manually. As a result, we need additional certain period of time to finalize the rating information data set to ERP after the routine dissemination process.

Another difficulty is that JCR usually implements multiple ways of rating publication process after making rating results public on CRAs' website, including sending press releases to outside data providers such as Reuters, etc., as well as sending the rating data set to their original subscriber-paid data system. And these several kinds of rating dissemination process shall be implemented carefully without making any errors by the end of each business day. In order to finish all the process without making any errors, we implement double or triple checking system, which needs a certain period of time and manpower. If a new process for sending the data set which includes tremendous kinds of data to ERP, JCR is afraid that it cannot manage it in addition to its routine dissemination process considering its manpower.

Considering the difficulties described above, JCR would like to ask ESMA to allow us to submit data requested by the draft RTS of all credit rating actions not within the time limit set out in the draft RTS but several business days after the rating publication date.

Q2 at Page 142: *Do you agree with the choice of including also press releases and sovereign rating reports in the ERP?*

We believe that the disclosure under ERP shall be consistent to the statutorily required disclosure items stipulated in Article 10 and Section D of Annex I of EU Regulation No.1060/2009. We disagree with the choice of including press releases in the ERP in terms of inconsistency of such disclosure requirement under the Japanese law. In case of certified CRAs, Article 10 and Section D of Annex I are considered as equivalent as those set out in laws of the third countries where a certified CRA locates. Thanks to the equivalence treatment, JCR focuses on complying with the disclosure obligation set out by the regulatory authority of JCR's home country, i.e. Japan Financial Services Agency.

Article 313-(3)-iii of "the Cabinet Office Ordinance on Financial Instruments Business, etc. (Ordinance No. 52 of 2007) related to Regulation on Credit Rating Agencies (a Japanese law)" stipulates the statutory disclosure items as "matters to be announced in cases where the determined Credit Ratings are to be provided or made available to the public". In this law, there is no regulation that the announcement of the determined credit ratings shall accompany press releases.

Meanwhile, there is also a concern of redundancy, if JCR provides both press releases and required data field in the draft RTS, since most of the items required in the data field in the draft RTS are included in the press release format of JCR in order to comply with the statutory requirements.

In terms of administrative burden, JCR also prefers to send only the data without press releases to ERP, considering that attaching press releases to the rating data file to ERP may have technical difficulties for JCR. If we have to send press releases together with other data, we need extra cost to develop a new system for sending data exclusively for ERP purpose.

Regarding sovereign rating reports, JCR considers that it is not mandatory for a certified CRA to produce and submit to ERP, as the relevant rules in EU Regulation No.1060/2009 for sovereign rating are not applied to a certified CRA.

(3) Comments on individual field in Annex 1

1) Field of Rating Methodology

Regarding the field of Rating Methodology (No.8 of Table 1 of Annex1), CRA are required to describe unique features of its rating methodology according to the draft RTS. Unless this field has enough space to paste full documents of all rating methodologies published by JCR, the risk of inconsistencies between the contents in ERP and that in JCR website would appear. JCR is afraid that it may cause investors to misunderstand JCR's methodologies. Therefore, we would like to display the link to JCR website, where all methodologies are disclosed, at the field of Rating Methodology.

2) Others

Not limited to the field commented above, JCR would like to further discuss the necessity of reporting each data field to ERP as a certified CRA through the process of clarifying each data field definition, especially if the requested data is not required to be published or retained according to a Japanese law.

2. Comments on Annex III: Draft regulatory technical standards on the fees charged by CRAs to their clients

(1) General response to the Draft Regulatory Technical Standards on the fees charged by CRAs to their clients

This RTS refers as the legal basis of the obligation to “Article 11 (3) of Regulation (EC) No 1060/2009” and “point (b) of Article 21(4a) of Regulation (EC) No 1060/2009”.

JCR interprets that Article 11 (3) requires CRAs through point 2 of Part II of Section E of Annex I to annually disclose to ESMA the fee-related information. However, Article 11(3) does not explicitly require “certified credit rating agency” to provide the information as in the case of Article 11(2), legal basis of reporting to CEREP, which explicitly requires “certified credit rating agency” to report to ESMA. We understand that this Article 11(3) issue should be treated in the “equivalence decision” process and we, as a “certified credit rating agency”, are not required to report the fee-related information to ESMA.

In the same way, point (b) of Article 21(4a) relating to fees is contrast with point (a) of the same



Article and Article 11a(1) relating to ERP by making the description “credit rating agencies” in the former and “a registered or certified credit rating agency” in the latter.

In conclusion, JCR does not think this draft RTS will be applied to a certified CRA, since JCR believes that it should abide by the Articles which explicitly refer to a certified CRA.

In closing, we appreciate for your great efforts to making the draft RTS on CRA 3 implementation. It is our great pleasure to discuss more in detail about the above topics with the Authority.

Sincerely yours,

A handwritten signature in cursive script that reads "Takefumi Emori".

Takefumi Emori

Chief Compliance Officer