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| Reply form for the Consultation Paper on Guidelines on the submission of periodic information to ESMA by Credit Rating Agencies – 2nd Edition |
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***Q1. Do you agree that CRA’s reporting requirements should be based on the reporting categorization determined by ESMA’s internal risk assessments, instead of whether or not they are liable for supervisory fees according to Fees RTS? If not please explain.***

We agree that the established risk assessment approach for ESMA supervisory activities will make the reporting process more efficient. However, we think that that the criteria for the assessment should be clear and transparent for CRAs. Risks, which are considered for CRAs reporting categorization, shall be disclosed.

***Q2. Do you agree with that the proposed reporting periods and reporting deadlines are practicable and in particular scheduling the annual submission of information for “category 1”CRAs for the 12 Months to 30 June? If not please explain.***

We think that for category 2 it can be inconvenient that bi-annual and annual report submissions have different reporting periods.

***Q3. Do you agree with the proposed approach of reducing the frequency for reporting of Board Documents for “all other” CRAs? If not please explain.***

Yes.

***Q4. Do you agree with the proposed approach of the Guidelines with regards to the more systematic provision of INEDs opinions? If not please explain.***

Yes.

However, we think that full INEDs opinion format shall be clarified in terms of expected frequency and scope of assessment, especially for smaller CRAs.

It should be clarified how to cover bi-annual reporting period for category 2 CRAs, when the term of the agreement with the INEDs is uneven (e.g. 3, 5 or 7 years). It is not clear whether in this case INEDs shall provide their opinion for the half of the period, which is one year, before they leave the agency, and the rest half shall be provided by their successors.

***Q5. Do you agree with the proposed Guidelines for reporting CRAs organisational chart? If not please explain.***

Agree. We think that with the new structure of the organizational chart it will be more transparent to see which staff is located outside of the EU, their juridical and actual location, which is very important information. For example if an employee works for an EU agency, which is physically located outside of the EU, and participates in the rating assessment, which is used for regulatory purpose in the EU, such information shall be disclosed.

***Q6. Do you agree with the proposed approach for the reporting of litigations? If not please explain.***

Yes.

***Q7. Do you agree with the proposed approach for the reporting of new and potential conflicts of interest? If not please explain.***

Yes.

***Q8. Do you agree with the proposed approach for reporting of information related to the annual and semi-annual review of credit ratings? If not please explain.***

Yes.

***Q9. Do you agree with the proposed approach regarding the submission of information on whether or not a CRA has conducted an annual review of its methodologies and models? If not please explain.***

Yes.

***Q10. Do you agree with the proposed approach of the Guidelines in respect of reporting information on the allocation of analysts across different analytical business lines? If not please explain.***

No. Depending on the rating service structure and procedures there may be no subtle division between lead and support functions. For example, one person can be lead analyst for one function and support analyst for another function.

***Q11. Do you agree with the proposed approach of the Guidelines in respect of reporting information on the allocation of staff for the review or validation of methodologies? If not please explain.***

No, the table is disproportionate and not convenient for smaller sized CRAs.

***Q12. Do you agree with the proposed approach for the reporting of objective reasons? If not, please explain.***

Yes. We think that it is also important to make this information public for rating users to know which ratings are endorsed and why.

***Q13. Do you agree with the proposed approach regarding the submission of the Compliance Work programme? If not please explain.***

Yes

***Q14. Do you agree with the proposed approach regarding the submission of a CRA’s Internal Audit Work Plan? If not please explain.***

Yes.

***Q15. Do you agree with the proposed approach regarding the submission of Compliance Assessment and Internal Assessment Reports? If not please explain.***

Yes.

***Q16. Do you agree with the proposed approach regarding the submission of information on CRAs internal control monitoring? If not please explain.***

It is not clear regarding the way of reporting compliance assessment that is done on continuous basis.

***Q17. Do you agree with the proposed approach regarding the submission of and attestation on the CRAs internal controls where this has been provided to another supervisory body? If not please explain.***

Yes.

 ***Q18. Do you agree with the proposed approach regarding the submission of a CRAs Business Continuity Plan and/or Disaster Recovery Plan? If not please explain.***

Yes.

***Q19. Do you agree with the proposed approach regarding the submission of CRAs’ Risk Dashboard? If not, please explain.***

Yes. The expected format of the Risk Dashboard shall be further specified.

***Q20. Do you agree with the proposed approach regarding the submission of CRA’s IT Strategies? If not please explain.***

Yes.

***Q21. Do you agree with the proposed approach regarding the submission of information on CRAs ongoing IT programmes and Projects? If not please explain.***

We think that for some small CRAs due to their low scale of business it is not relevant to have ongoing IT programmes and projects reporting.

***Q22. Do you agree with the proposed approach regarding the submission of information on the allocation of FTE across key internal functions? If not please explain.***

Yes. However, it is not clear how to report if some functions partially intersect (e.g. rating process and methodology comments for further development). This issue is especially relevant for small size CRAs.

***Q23. Do you agree with the proposed approach regarding the submission of information on the number of IT programmes in use across key internal functions? If not please explain.***

It should be clarified what is considered as IT programmes and projects.

We think that small scale CRAs may not require such a complicated IT infrastructure.

***Q24. Do you agree with the proposed approach of the Guidelines that ESMA should receive annual information on costs and revenues per (i) types of credit ratings (ii) ancillary services in addition to fees and costs for credit rating related products and services sold by other entities within the group? If not please explain.***

Yes.

***Q25. Do you agree with the proposed approach with regards to the submission of a full list of CRAs internal policies and procedures? If not please explain.***

Yes. However, it should be clarified which internal policies and procedures shall be reported.

***Q26. Do you agree with proposed Guidelines for ESMA to receive information on material changes to the conditions of registration? If not please explain.***

Yes.

***Q27. Do you agree with proposed Guidelines for ESMA to receive information on material changes to the conditions of registration? If not please explain.***

Yes.

**Q28. With regard to notifications under Item 37 “Identification of errors in methodologies / model processes”: (i) Please explain if you apply any materiality threshold to the reporting of errors in rating methodologies or in their application under Article 8(7) CRAR to ESMA? (ii) Please clarify how you make the distinction between errors that need to be notified to ESMA and the affected rated entities (Article 8(7)a CRAR), and errors that need to be published on your website (Article 8(7)b CRAR)?**

The materiality threshold is zero in regards to changes in the rating score. Any mistake which affects the rating score in any extent (e.g. either by 0,01 or 6 points) must be reported.

Any mistake, which has a material impact on the rating score, must be reported to ESMA and the rated entity. Mistakes, which have no material impact on the score, are only published on the website of the Agency (e.g. spelling mistakes, disclosures, etc.).

***Q29. Do you have any comments on the reporting templates provided in Annex I? If yes please provide the Templates Reference alongside your comments.***

The suggested templates are based on division of IT applications among internal functions (Template 11, Template 15 and Template 16).

Due to a small operating scale, most of CRAs use only applications, which are common for all functional divisions. Therefore, the information submitted by CRAs for each key function will be repetitive (MS Outlook, Ms Excel, DBMS, etc.). Thus, it might be more convenient to make the templates more application-centered, rather than function-oriented (IT applications and Cloud Computing).

***Q30. Do you have any comments regarding the feasibility Template 16 [IT Notification Cloud Computing] and the appropriateness of the information requested?***

Yes.

***Q31. Do you have any comments on the proposed process of implementation?***

Yes.