

European Securities Markets Authority  
103 rue de Grenelle  
75345 Paris  
Cedex 7  
France

14 March 2019

Dear Sir / Madam,

**A.M. Best (EU) Rating Services B.V. (AMB-EU) and A.M. Best Europe – Rating Services Limited (AMBERS)  
– Response to ESMA Consultation Paper: Guidelines on Disclosure Requirements Applicable to Credit  
Ratings**

A.M. Best welcomes the opportunity to provide feedback on ESMA's Consultation Paper (CP) of 19 December 2018 that introduced a series of proposed changes to the "Guidelines on Disclosure Requirements Applicable to Credit Ratings".

**Q1. Do you agree with the proposed Guidelines for press releases that accompany credit ratings or rating outlooks? If not, please explain.**

A.M. Best is broadly supportive of the proposal to further clarify disclosure requirements. However, A.M. Best would note that much of the focus of the paper is on the content of Press Releases. Whilst A.M. Best accepts that it is normal practice in the EU for a Press Release to accompany a Rating Release, this is not mandated in the Credit Rating Agency Regulations (CRAR). As such, A.M. Best would respectfully suggest that the wording of the Consultation Paper should be amended to reflect that disclosure can be provided via other means than a Press Release.

A.M. Best's internal assessment has identified that, whilst a number of ESMA's proposals would be relatively straightforward to implement, many of the proposals would require more significant changes including adapting existing templates and introducing a number of manual workarounds. For example, the requirement involving disclosure of the methodology could be particularly difficult to address as each criteria would need to be listed with its version date and a direct hyperlink to that document on the press release itself. This is unique to each rating and would require version controlled hyperlinks to be added to the press release.

Furthermore, if a press release cites facts or figures from another source, the press release will need to provide a reference to that source. This would be on an as needed basis and would require additional steps when it occurs.

Finally, as A.M. Best operates using a single globally applicable methodology / policy framework; the proposals would require adjusting the entire Policy Framework, entailing financial impact, IT development costs, as well as procedural/ operational changes and training of staff.

At a more fundamental level, A.M. Best is not clear that the paper sufficiently articulates the weaknesses / deficiencies of the existing disclosure regime. As such, A.M. Best does not believe that the increased cost / risk will result in tangible benefits for the users of ratings.

**Q2. Do you agree that a standardised scheme indicating the rated entities level of participation would be beneficial? Do you have any comments on the proposed standardised scheme?**

A.M. Best only issues ratings on a solicited basis. Our standard practice is that we would withdraw from rating an entity, if that entity failed to fully participate in the rating process. A.M. Best believes such an approach is consistent across those agencies issuing solicited ratings.

The template proposed by ESMA in order to make the disclosure regarding the extent of participation is highly detailed and will require significant effort to populate for extremely limited value. A.M. Best would suggest that the above disclosure should only be required where a rating is issued on an unsolicited basis. Alternatively, the disclosure should only be required where the rated entity failed to fully participate in the rating process (effectively a negative disclosure).

**Q3. Do you have any comments on specific items under this section? If yes, please explain with reference to the proposed item's number.**

A.M. Best has no other comments on specific items in this section.

**Q4. Do you have any comments on the proposed Guidelines under this section?**

A.M. Best has no particular comments regarding the requirement for ESG related disclosures, but would like to raise a couple of high-level observations, for further clarification.

Firstly, in relation also with ESMA's earlier Q1, it is not clear from the text of the Guideline if all ESG disclosures are expected to be included in the press release itself, or could they be referred to hyperlinks or other documents (e.g. credit report, Rating Disclosure Form)?

Secondly, in reading the proposed text of the Guideline, it is not clear if the positive or negative statement regarding the relevance of ESG factors is to be made in respect of rating upgrades and downgrades only (as item 67 in page 20 seems to suggest) or for all credit ratings. In most parts of the document, ESMA does refer to "credit rating" or "issuance of credit rating" only, without mention of a rating movement.

**Q4. Are there any additional actions that CRAs could take to improve the disclosure of the consideration of ESG factors?**

A.M. Best has no further suggestions regarding any additional actions that CRAs could take to improve the disclosure of the consideration of ESG factors.

We trust the comments made by way of a response to ESMA's Consultation Paper are helpful. Please do not hesitate to contact us should you require clarification on any of the points made or if you have any further queries.