

POSITION PAPER



ESMA consultation on guidelines on disclosure requirements applicable to Credit Ratings

ESBG (European Savings and Retail Banking Group)

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General comments

ESBG welcomes the publication of the ESMA consultation on guidelines on disclosure requirements applicable to credit ratings agencies (CRAs)¹. We believe that it is important to increase the level of transparency on CRA's credit ratings both on the content and format in order to ensure that users can conduct their own due diligence and understand the main characteristics of the credit rating.

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

Yes, ESBG broadly agrees that the proposed ESMA guidelines include all the elements that need to be captured or referenced in the press releases on credit rating assignments and are less harmonised between CRAs. ESBG noted that primary CRAs have gradually become more transparent when publishing rating actions and most of requirements proposed in the guidelines are broadly incorporated in their press releases, but with a different degree of detail.

However, **on credit rating sensitivity** (proposed guideline n.7), we believe that CRAs should be encouraged to provide **more clarity on the events or thresholds/triggers that could lead to upgrades/downgrades**. In our experience, we have seen some CRAs keep sensitivities vague, making it difficult for users to understand what the triggers for the rating are.

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?

Overall, we believe a standardised communication on the issuer's level of participation in the rating process would **certainly be beneficial to the users of ratings, irrespective of the rating solicitation status** (solicited vs. unsolicited). However, the proposed standardised scheme solely refers to whether access to accounts has been made available, which in the case of listed companies is highly probable as material financial sources are of public domain. In our view, the proposed scheme could be supplemented by further requirements on whether and **how there has been an active interaction with issuers and on the issuer's track record of business/analytical relations with the CRA**.

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

In our opinion, it would be helpful for market participants if **CRAs disclose in their press releases the rating actions in case these have been subject to external appeals** from rated entities (reference item 45) and also disclose the rating outcome of the initial committee in case it is different from the 'final' outcome disclosed to the market and the drivers behind this. We also believe that some **public reference to fees related to analytical rating services** (similar to disclosures made available in the accounts on auditing services-related fees) could also help to make the rating process more transparent to investors and/or to users of ratings.

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

The proposed Environmental, Social or Governance (ESG) disclosure process would be beneficial to the users of ratings in the EU as it could raise awareness of ESG relevance in the rating process. However, **the absence of a taxonomy for sustainable finance** could, in our view, **disincentive or**

¹https://www.esma.europa.eu/sites/default/files/library/esma33-9-290_consultation_paper_on_disclosure_requirements_applicable_to_credit_ratings.pdf



make it difficult for CRAs to provide full transparency on the categorisation of ESG when these elements are seen as key factors for credit ratings.

Q5. Are there any additional actions that CRAs could take to improve the disclosure of the consideration of ESG factors?

In our view, CRAs are already taking the necessary steps to increase transparency on the ESG consideration into credit ratings, with the aim of raising awareness of ESG in a proportionate manner. ESBG noted that most primary CRAs now have a dedicated ESG section on their websites and/or have created separate in-house units to monitor ESG relevance across sectors.



About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 20 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 1,000 banks, which together employ 780,000 people driven to innovate at 56,000 outlets. ESBG members have total assets of €6.2 trillion, provide €500 billion in SME loans, and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking



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