19 March 2019

European Securities and Markets Authority (ESMA)
103 rue de Grenelle
75007 Paris, France

Re: ESMA Consultation Paper on Disclosure Requirements Applicable to Credit Ratings dated 19 December 2018

To Whom It May Concern:

In relation to your consultation paper on Disclosure Requirements Applicable to Credit Ratings dated 19 December 2018, please find our response below.

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

Kroll Bond Rating Agency ("KBRA") recognises and strongly supports ESMA's requirement of a high level of disclosure transparency and ESMA's objective of increasing the quality of credit rating disclosures. However, KBRA does not believe that disclosing this information on a Press Release ("PR") is necessary to achieve these goals; the existing methods are effective in meeting ESMA's regulatory disclosure requirements and the needs of credit rating users. In KBRA's experience, users of credit ratings want PRs that address the main credit issues and find additional mandatory disclosure language makes it harder to locate that key credit information. KBRA currently meets most credit rating disclosure requirements on a separate document, which is accessible via a link in the corresponding PR. This allows the user to easily access fundamental credit rating information in the PR, and then access the additional regulatory disclosure requirements via a weblink. It is KBRA's opinion that this is a transparent and effective way for the reader to access required regulatory disclosures.

If KBRA were to move the disclosures into PRs, KBRA would have to undertake a significant internal operational change to add regulatory disclosures on its PRs for each credit rating. This would involve changing templates for PRs and disclosure documents, and would require extensive modifications to KBRA's credit rating publishing process. Significant revisions to KBRA's website would need to be made and employees would need to be trained on the revised process. The time spent by management and employees, as well as the costs associated with the implementation of these changes, would be a substantial burden and would have a disproportionately large effect on a smaller rating agency such as KBRA. Diverting resources to accomplish the needed operational changes would potentially hinder KBRA's, and the ability of other smaller credit rating agencies, to compete in the market for providing credit rating services.

Moreover, KBRA pays for PRs to be distributed by a third-party on a per-word basis; the effect of adding the complete set of required regulatory disclosures to each PR would result in a dramatic cost increase to KBRA for each PR. Given the number of PRs that KBRA distributes through this third-party, the direct cost over the course of a year would increase the expense of publishing credit ratings to a wide readership, while not necessarily providing the information to users of credit ratings in a better way than the manner in which they currently receive it.

KBRA makes all credit ratings, PRs, rating reports, disclosures and research reports available free of charge for users of the KBRA website. KBRA also notes that we have not received any negative feedback from institutional investors, issuers or any other users of KBRA's ratings in relation to the transparency of credit rating disclosures.

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?

KBRA agrees that a standardised scheme indicating the rated entities level of participation for unsolicited ratings would be beneficial so that users of credit ratings will be in a better position to understand the information that was available to the credit rating agency when it formed its credit opinions.

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

In paragraphs 13, 23 and 43, the consultation paper states that certain aspects of the credit rating and its disclosures should not require the reader to have to register on the website of the credit rating agency.

KBRA presently provides full access to all of its published rating information, methodologies, disclosures, PRs, credit rating reports and research that is easily accessible and free of charge, but does require users to register with KBRA to access certain parts of KBRA's website. Investors have come to rely on KBRA's research because it is more thorough and timely, and KBRA believes that free access to our reports improves the marketplace as a whole. Once the user is logged in to the KBRA website, the user is able to access all available credit rating documentation; the user does not need to re-enter its credentials to move from page to page.

Registration is essential because it advises users of the terms and conditions of use of the KBRA website.

Requiring registration on the KBRA website also allows KBRA to more accurately assess whether its information is being accessed for lawful purposes, and permits KBRA to better detect and prevent automated site scraping. The registration process also facilitates KBRA's ability to enhance the website in response to usage metrics and to assist in identifying areas of user interest.

KBRA notes that to date, we have not received any feedback from institutional investors, issuers or any other users of the KBRA website that it is difficult for them to register for its use.

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

KBRA supports ESMA's proposed guidelines relating to ESG disclosures and for confirming the limitations of its oversight of methodologies in Paragraph 12 which states, 'that in no way does this guidance recommend or mandate what factors a CRA should be considering as part of their creditworthiness assessments.'

KBRA is dedicated to understanding the changing dynamics of credit risk to maintain excellence and integrity in our ratings. ESG issues are becoming increasingly important in risk analysis as climate change and demographics continue to evolve. Many transactions that KBRA has rated have incorporated ESG factors where they were material to the rating, KBRA has also been active in publishing research related to ESG and how these factors affect credit, having put out over 80 ESG-related research pieces since 2012. KBRA is committed to understanding and evaluating how ESG factors affect credit and are continually working to make these factors more prominent in ratings and research.

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

KBRA does not believe that further regulatory intervention relating to disclosure about ESG factors is required. KBRA believes that users of credit ratings are best-placed to inform credit rating agencies about the information they find valuable and how they believe it should be presented. KBRA expect users of credit ratings to place greater reliance on ESG factors in the future. KBRA believes that the best way to satisfy the demand for ESG transparency is through working closely with users of credit ratings to develop the best way to provide ESG information.

Yours sincerely,

James Nadler
President & CEO