

18 October 2024

European Securities and Markets Authority
201-203 rue de Bercy
CS 80910
75589 Paris Cedex 12
France

KBRA Comments on ESMA Consultation Paper on Guidelines on the Submission of Periodic Information to ESMA by Benchmark Administrators, Credit Rating Agencies and Market Transparency Infrastructures (ESMA84-2037069784-2169)

Kroll Bond Rating Agency (“KBRA”) welcomes the opportunity to provide comments on the European Securities and Markets Authority (“ESMA”) Consultation Paper on Guidelines on the Submission of Periodic Information to ESMA by Benchmark Administrators, Credit Rating Agencies and Market Transparency Infrastructures (the “Consultation Paper”). As a credit rating agency (“CRA”), KBRA’s core mission is to provide independent, transparent, and thorough credit analysis and research. We support policy and regulatory initiatives that are aligned with these objectives, and welcome efforts designed to streamline regulatory reporting and reduce regulatory burden, including proposals in the Consultation Paper that strive to:

- ensure a harmonised approach to periodic reporting;
- increase consistency and usability of the reported information;
- establish proportionate reporting based on the risk profile of the supervised entity; and
- reduce the reporting burden by tailoring reporting frequencies to a risk-based supervisory approach.

KBRA is pleased that in developing the third iteration of guidelines for CRAs, ESMA aims to eliminate duplication and overreporting of information, while also reducing reporting frequencies where appropriate. As noted in the Consultation Paper, CRAs currently submit periodic information to ESMA under existing guidelines and have done so since guidelines were initially introduced for CRAs in 2015.¹ The proposed guidelines have evolved and reflect the need to streamline internal supervisory processes. For example, we note that the proposed guidelines reduce reporting redundancies by no longer requiring separate reporting of compliance and internal audit reports and would instead leverage the material provided to ESMA in CRA board documents.² Similarly, Independent Non-Executive Director (“INED”) Questionnaires would no longer be subject to separate reporting but would be considered as part of submitted CRA board materials.³ We are also pleased that the proposed reporting frequencies for CRAs are reduced or consolidated in several areas across all categories of CRAs.⁴ These are positive steps that incorporate important industry feedback and will serve to make the reporting process more efficient and effective.

¹ See Final Report Final Report on Guidelines on the submission of periodic information to ESMA by Credit Rating Agencies – 2nd Edition (5 February 2019 | ESMA33-9-295), available at https://www.esma.europa.eu/sites/default/files/library/esma_33-9-295_final_report_guidelines_on_the_submission_of_periodic_information_to_esma_by_credit_rating_agencies.pdf; see also Final Report Guidelines on periodic information to be submitted to ESMA by Credit Rating Agencies (19 March 2015 | ESMA/2015/609), available at https://www.esma.europa.eu/sites/default/files/library/2015/11/2015-09_cra_guidelines_on_periodic_reporting.pdf.

² Paragraph 79 of the Consultation Paper.

³ *Id.*

⁴ Paragraph 78 of the Consultation Paper.



KBRA also strongly supports ESMA’s commitment to ensuring that the existing reporting templates for CRAs are not changed under the proposed guidelines.⁵ If the reporting templates were to change for CRAs and other entities that already have guidelines in place, ESMA’s key objective to simplify and streamline reporting requirements would be materially undermined. In fact, modifications to the reporting templates would result in additional costs, unnecessary implementation complexity, and increased regulatory burden.

Finally, we are encouraged by ESMA’s efforts to proactively align its information technology and information security reporting requirements with the forthcoming reporting requirements under the Digital and Operational Resilience Act (“DORA”).⁶ KBRA supports alignment of both the content and frequency of the Information and Communication Technologies (“ICT”) related periodic information with the content set out in the relevant provisions of DORA, ICT Risk Management. The harmonisation of these reporting requirements will reduce redundancies as well as the risk of unintentional inconsistent reporting between the frameworks.

We appreciate ESMA’s efforts to refine the reporting guidelines and would welcome a continued focus on ways to reduce regulatory burden more broadly while still maintaining effective oversight of CRAs that that supports investor protection, competition, and healthy capital markets. KBRA looks forward to continued engagement with ESMA and further opportunities to provide constructive feedback in support of these initiatives.

⁵ Consultation Paper, Cost-Benefit Analysis, page 39 (“Reporting entities that have already guidelines in place or for which periodic information is already established with ESMA will incur fewer overall costs when implementing these guidelines. This is because ESMA is ensuring that the existing reporting templates are not changed.”)

⁶ Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R2554&from=FR>.