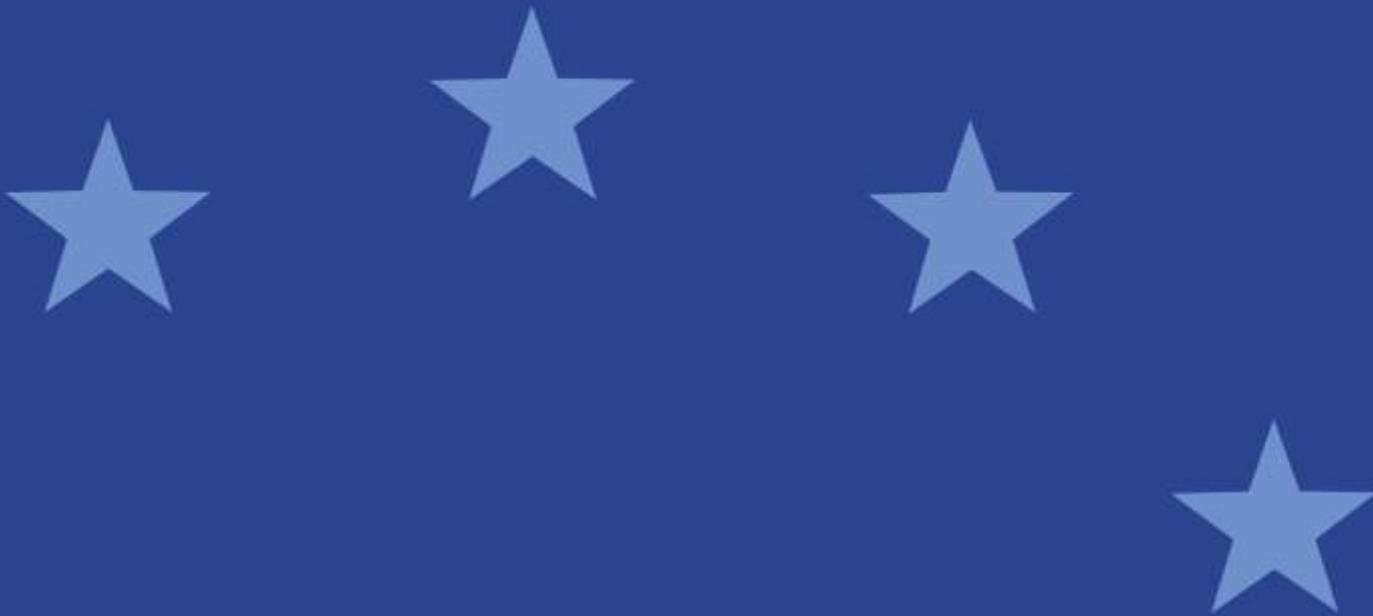




European Securities and  
Markets Authority

# Final Report

**Guidelines on the submission of periodic information to ESMA by Credit  
Rating Agencies – 2nd Edition**



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## Legislative references, abbreviations and definitions

CP	Consultation paper
CRA	Credit Rating Agency
CRA Regulation or CRAR	Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit ratings agencies as amended by Regulation (EU) No 513/2011 of the European Parliament and of the Council of 11 May 2011, Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011, Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013, and Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014
Delegated Regulation on Fees	The European Commission Delegated Regulation (2015/1) of 30 September 2014 supplementing CRAR with regard to regulatory technical standards for the periodic reporting on fees charged by credit rating agencies for the purpose of ongoing supervision by the European Securities and Markets Authority
Delegated Regulation on methodologies	Commission Delegated Regulation (EU) No 447/2012 of 21 March 2012 supplementing CRAR by laying down regulatory technical standards for the assessment of compliance of credit rating methodologies.
EU CRA	A credit rating agency registered with ESMA
ESMA	European Securities and Markets Authority
ESMA Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC
FTE	Full Time Equivalent
INED	Independent Non-Executive Director
NCA	National Competent Authority
The 2015 Guidelines	Guidelines on periodic information to be submitted to ESMA by Credit Rating Agencies (ESMA/2015/609) of June 2015

# 1 Executive Summary

## Reasons for publication

On 19 July 2018, ESMA published a Consultation Paper (CP) for draft guidelines on the periodic information to be submitted to ESMA by credit rating agencies. This CP proposed a revision to ESMA's existing Guidelines on the periodic information to be reported by CRAs to ESMA that were published on 19 March 2015.

The purpose of this revision was to more clearly structure and specify the information that ESMA needs to receive from CRAs to enable ESMA to carry out its supervisory tasks. In this regard the CP proposed revisions in a number of areas, including establishing reporting categorisations for CRAs, establishing reporting calendars based on this reporting categorisation, proposing standardised reporting templates and providing additional reporting instructions in areas where ESMA identified a supervisory need. The main features of the proposed revised Guidelines involved the following proposals:

- Differentiated reporting calendars for entities depending on required level of supervisory engagement;
- Individual reporting instructions for each reporting item;
- Additional reporting instructions in areas where ESMA has identified a supervisory need; and
- Standardising reporting templates for specific reporting items.

## Contents

Section 2 summarises the feedback received to the Consultation that ESMA carried out and explains how ESMA has taken it into account. Annex I contains the Guidelines on the Periodic Information to be Submitted to ESMA by Credit Rating Agencies. Annex II provides the reporting calendars referred to in Section 5.4 of Annex I. Annex III provides the reporting templates referred to in Section 5.5 of Annex I. Annex IV provides the updated Cost Benefit Analysis applicable to the Guidelines.

## Next Steps

The Guidelines in Annex I will be translated into the official EU languages and published on ESMA's website. They will become effective two months after their publication on ESMA's website in all of the official languages.

The entry into force of these Guidelines will repeal and replace Sections I – VI of ESMA's Guidelines on the periodic information to be submitted by CRAs to ESMA, published on 15 May 2015.

## 2 Feedback Statement

1. This section provides a summary of the responses to the Consultation Paper “Guidelines on the Submission of Periodic Information to ESMA by credit rating agencies – 2<sup>nd</sup> Edition”. In total 19 responses were received to the Consultation with 14 of these provided on a confidential basis.
2. Responses were received from a mixture of credit rating agencies (fifteen CRAs), industry associations and other market participants. In providing this summary, ESMA explains the changes that have been made in response to the comments provided during the consultation process.

### 2.1. General remarks

3. The feedback statement follows the order of the questions as they were presented in the CP. These comments were focused on the following areas:
  - ESMA’s internal assessment;
  - Reporting categorisations;
  - Costs and Revenues information to be reported on behalf of affiliated entities;
  - Implementation Timeline and Reporting Calendars.
4. ESMA has addressed the comments raised in respect of these areas under their respective questions.

### 2.2. Reporting Categorisations

**Q1: Do you agree that CRA’s reporting requirements should be based on the reporting categorisation 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.**

5. Fifteen respondents responded to this question. Seven of them supported this approach. Six raised questions. Only one opposed the proposed classification. Finally, one of them had no comments to provide.
6. Several arguments were presented in favour of the new approach. Firstly, the respondents agreed that it would make the reporting process more efficient. Secondly, one respondent noted that using simple metrics such as revenues or FTEs created a “cliff effect” that was detrimental to CRAs and to the market in general.
7. However, some questions were raised. Seven respondents asked for more clarity and transparency about the criteria used for the categorisation. Four respondents would like

to have the possibility to discuss their categorisation before its notification, and another one wanted to know whether the categorisations would be periodically reviewed. Another respondent would like the classification to be reviewed by the Board of ESMA, before its notification. Finally, another respondent believed that the approach may send a signal to the market implying that some CRAs are more important than others.

8. Two respondents supported the idea that the reporting classification should keep on being based on whether or not the CRAs are liable for supervisory fees, since the €10M turnover threshold was set by EU lawmakers. One of the respondents believed that supervision should only be based on ESMA's own risk assessment when a CRA has been assessed as "risky", and needs to be more closely monitored. Then, additional information should be supplied on-demand by the CRA. Moreover, they also considered that if a smaller CRA was categorised as "Category 1", thereby being subject to a higher level of supervisory engagement and reporting, it would significantly increase their internal costs putting them at a competitive disadvantage. In their view this would run contrary the EU legislator's intention to increase competition in the market. This concern was also raised by another respondent, which deemed it disproportionate to categorise smaller CRAs as "Category 1".
9. Finally, one respondent outlined that in its view all CRAs should be treated equally but that Category 2 requirements should apply to newly created CRAs.
10. **ESMA's response:** The purpose of this reporting item is to ensure that for entities which ESMA considers a higher level of supervisory engagement is necessary, ESMA receives a higher level of information. This level of engagement being set by ESMA's internal supervisory assessment. For example, if ESMA considers that a CRA requires a greater degree of supervisory attention, on account of its size, complexity, market penetration or other factors, then ESMA believes it is appropriate that it receives a more detailed level of periodic information from that CRA.
11. It is this level of responsiveness that is lacking under the approach of the 2015 Guidelines, whereby the reporting schedule to which a CRA adheres is determined by its annual turnover alone, regardless of ESMA's supervisory assessment. As a result, ESMA is maintaining the approach of the CP where CRAs reporting requirements are set by ESMA's supervisory assessment.
12. In response to the comments raised to the CP regarding a better understanding of ESMA's supervisory assessment, ESMA is taking this opportunity to provide some further detail on the factors that ESMA considers as part of this assessment and the reasoning for allocating CRAs to one or other reporting schedules. In this regard, ESMA takes into account a proxy for the firm's supervisory importance and the firm's individual risk assessment. Supervisory importance is measured through a set of parameters such as the geographical market penetration, complexity of portfolio, organisational structure etc. while the individual risk assessment cover different risk areas, reflecting all aspects of the CRA Regulation. The results from the consideration of these two elements, allow ESMA Supervision Department to determine the level of supervisory engagement needed for a specific entity.

13. Where ESMA is introducing a change in the guidelines in response to comments raised by CRAs regarding reputational concerns that could arise from the different reporting categorisations for CRAs and the allocation to one or another, and the need to ensure that all CRAs registered with ESMA are equally treated. To address this issue, ESMA is removing reference to reporting categorisations from the periodic guidelines. CRAs will not be assigned to either a category 1 or category 2 reporting categorisation as such under the final guidelines there will be no differentiated reporting categorisations. Instead, based on its supervisory assessment ESMA will assign CRAs to one of two reporting calendars (Calendar A and calendar B). One of these reporting calendars will be for CRAs for which ESMA has determined it requires a higher level of supervisory reporting, the other for CRAs for which ESMA has determined it requires a reduced level of supervisory reporting.

### **2.3. Reporting Frequencies and Deadlines**

#### **Q2: Do you agree with that the proposed reporting periods and reporting deadlines are practicable? If not please explain.**

14. Fourteen respondents responded to this question. Ten of them generally supported the reporting periods and reporting deadlines (quarterly, semi-annual, annual and bi-annual). Two respondents raised questions while an additional two respondents expressed their opposition to the proposed periods and deadlines.
15. The main element that respondents favoured in the new approach was the reduction of the reporting frequency for a number of reporting items compared with the 2015 Guidelines.
16. However, although they were broadly in favour of the new reporting periods respondents raised a number of questions. In this regard, two respondents highlighted the fact that depending on CRAs' financial calendar, it may be difficult and costly for them to provide their submissions by the 30 April deadline for reporting item 22.
17. With regards to the different annual reporting periods for category 1 and category 2 CRAs (calendar year versus June – June), six respondents expressed the view that calendar year was preferable as most CRAs organise their internal reporting procedures around a calendar year.
18. Regarding the submission deadline, one respondent suggested to move the annual reporting date for Category 2 CRAs from January to March/April, in order to alleviate the usual reporting burden at that time of the year. Another respondent suggested an annual reporting date of end July items to match internal audit processes. With a view to alleviating reporting burden another respondent suggested allowing an additional three-month period to deliver their reports, after the end of the reporting period (except for information supplied on an ad-hoc basis, and information and revenue and costs) to allow for any delays in submitting templates not supported by their IT systems.

19. Finally, two respondents raised concerns about the items to be reported on an ad-hoc basis. One respondent stated that it believed that the number of items required to be reported on an “as soon as” basis under the guidelines was unnecessarily onerous. While another respondent stated that reporting some items on an ad-hoc basis may be impossible, or lead to incomplete reporting.
  
20. **ESMA response:** In response to the feedback received, ESMA has adjusted the reporting deadlines for a number of items in order to ensure they are more clearly aligned with CRAs internal processes. For example, under the new Calendar A, ESMA has moved the reporting deadline for a number of internal control items to a calendar year, in order to ensure ESMA is requesting the information in line with when it is produced within the CRA. In addition, ESMA has changed the reporting period for individual items such as costs and revenues from end April to end May in order to allow CRAs more time to submit this information following the close of the financial year end. For other items such as the INED opinion ESMA has clarified how submission of this information should work under Calendar B, where it is listed as bi-annual. In this regard ESMA has clarified that CRAs reporting under Calendar B need only prepare and submit this item every second year.

## 2.4. Module: Governance

### **Q3: Do you agree with the proposed approach of reducing the frequency for reporting of Board Documents for “Category 2” CRAs? If not please explain.**

21. Thirteen respondents responded to this question. Eleven of them supported ESMA’s approach or did not object to it. One provided further comments. One had no comments to provide.
22. Several respondents noted that this approach would alleviate the reporting burden for them. However, one respondent suggested to go further and only request a subset of Board Documents. Additional information could be requested on an ad-hoc basis. This respondent believes that it would reduce further the burden on CRAs, and enable more efficient supervision by ESMA.
23. For “Category 1” CRAs, one respondent noted that CRA boards may not meet every quarter, even if they meet four times each year. Thus, ESMA might not receive any board documents in a particular quarter. Two respondents objected to the idea of reporting minutes of board meetings that are not approved or are in draft format, highlighting that this could lead to inaccurate or misleading reporting.
24. **ESMA response:** ESMA notes the support of respondents for a reduced reporting burden under Calendar B, and ESMA has maintained this reduced reporting burden in the final guidelines. However, where ESMA has made a change is with regards to the timing of certain items reported under Calendar B. In this regard, ESMA is moving the reporting of Items 1 – 11 and 21 to a 31 July reporting deadline, as opposed to a 31 January deadline.
25. The reason for this being that ESMA needs more timely information at the time it performs the most substantial part of its risk assessment in September and October. As a result of this change it will align Calendars A and B for these documents. ESMA acknowledges that this was not proposed in the CP. However, ESMA does not estimate that this will have an impact on entities, since the affected reporting items are not subject to a “calendar year” periodicity.
26. With regards to the reporting of Board Documents for CRAs reporting under Calendar B, ESMA has removed the requirement to report draft board minutes but otherwise maintained the approach of the CP.

### **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.**

27. Fourteen respondents responded to this question. Seven of them approved ESMA’s approach. One requested more clarifications. Only one respondent expressed its disagreement with the proposed approach. One had no comments on this question.

28. Two respondents deemed that this would come as a duplicate to the submission of all Board Documents, since INEDs opinions are part of the latter. One respondent suggested to offer the possibility for CRAs to declare whether these documents have been provided under a different Item, so that there is no need to duplicate the reporting.
29. Two respondents requested further clarifications on the expected frequency, level of information and scope of the assessment. They also believe that it should be clarified how to cover two-year reporting periods for “Category 2” CRAs, when the duration of the agreement with INEDs is uneven (e.g. 3, 5 or 7 years). In this case, they suggest that INEDs shall provide their opinion for half of the period, which is one year, before they leave the agency, and the second half shall be provided by their successors. Another respondent asked if Template 1 shall be filled individually by each INED, or if one Template could gather the opinions of all INEDs. They also asked if the template should be completed by the INEDs or the CRAs themselves.
30. A respondent disagreed with ESMA’s approach stating that detailed opinions of INEDs are important, therefore they should not be pressed in a template format, especially considering the fact that INEDs opinions may not be comparable from one CRA to another as they all have different activities. The lack of comparability between CRAs was also raised as an issue by another two respondents. Two other respondents suggested to create a mandatory requirement to present INED opinions as a separate section in the minutes of the meetings of the relevant boards, instead of using a Template.
31. Finally, one respondent suggested to set the reporting date at the end of March, because some CRAs have their INEDs producing their reports at the beginning of the year, basing themselves on data from the previous calendar year. While another respondent suggested a submission date of April 30th.
32. **ESMA response:** In order to ensure that CRAs are clear about what is expected under this reporting item ESMA would like to highlight the section of the CRA Regulation on which it is based, namely: Annex I, Section A, 2 of the CRA Regulation which states that:
33. A CRA’s independent members of the administrative or supervisory board have the task of monitoring:
  - a) The development of the credit rating policy and of the methodologies used by the credit rating agency in its credit rating activities,
  - b) The effectiveness of the internal quality control system of the credit rating agency in relation to credit rating activities
  - c) The effectiveness of measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated or managed and disclosed
  - d) The compliance and governance processes, including the efficiency of the review function referred to in point 9 of this section.

34. In this regard, opinions of the independent members of the administrative or supervisory board on these matters will be presented to the Board periodically and shall be made available to ESMA on request.
35. The purpose of this reporting item and the accompanying template is to receive CRA's INEDs' opinion on these items in a standardised and comparable format. As a result, CRAs should still provide any document or opinion that their INED may present to their Board as part of the respective Board Documents under Item 1. However, the purpose of this reporting item is to receive an easily comparable response from all CRA's INEDs response to a set list of items that the CRA Regulation already requires them to assess.
36. For CRAs reporting under Calendar B, where the reporting frequency is bi-annual, the CRA's INED is only required to complete and provide this template every second year.

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

37. Fourteen respondents replied to this question. Five of them agreed with the proposed approach. Three respondents raised questions. Five respondents had some concerns about the approach. Only one respondent voiced its disagreement with ESMA's proposition.
38. Some respondents asked for definitions of several terms, such as "Executive Committee Members", "Analytical Support Management", "Analytical Management" and "in-business Control". One also asked more details about "seniority levels".
39. Several respondents raised concerns about the burden constituted by the preparation of an organisational chart, and offered suggestions in order to reduce added costs. One respondent suggested that ESMA should prepare a template of the chart, or a table, in order to help CRAs. Another respondent suggested that it would be simpler to report the information in an Excel file, rather than in a PowerPoint chart. This would also enhance comparability. One respondent also suggested that a frequency of two years should be sufficient, as organisation charts do not such significantly over such a period (this could be complemented by a requirement to provide updates for any significant changes).
40. Finally, two respondents objected to the reporting of information on non-EU employees, unless they report to a manager located outside of the EU. Another two respondents also questioned the need to include the names and details of individual members of staff, since they move regularly. One of them suggested that the level of detail within the organisation chart for all areas should only be at the level of the last manager, and not "all staff".
41. **ESMA response:** In response to feedback from respondents, ESMA has added a field for "senior management" to the table presented in the Guidelines. This should ensure that within the "Management" section all relevant staff will be covered. In order to ensure that the information provided by CRAs is comparable, the "Other Support Functions" has been removed from the Support Functions section of the template.

42. Given the difficulty of developing a template that could accommodate the different organisational structure of each CRA, ESMA is not providing a standardised reporting template for this item. With regards to the reporting of information on non-EU staff, this should only be done where it is required by the template, which is typically in areas such as internal control, where CRAs have global functions. With regards to the proposed frequency of reporting, on the basis that this information is unlikely to change significantly over a six-monthly period, ESMA is reducing the frequency of reporting for CRAs under Calendar A from semi-annual to annual.

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

43. Thirteen respondents replied to this question. Eight of them approved the approach or did not express any concerns. One agreed only partially. Two raised questions and concerns. Two had no comments.
44. Two respondents deemed that this approach would be burdensome if they have to report every legal action, as CRAs are only impacted at the end of the final appeal, which can take three to four years to be reached. Additionally, such a reporting would require a very strong coordination with law offices, which is costly. One believed that the proposition should be amended so that only those legal actions which may adversely impact the continuity or quality of ratings, and/or materially impact the financial position of the EU CRA, shall be reported. The other proposed to report only legal proceedings that were accepted by the court and which could have an “enormous impact”. “Enormous impact” could be defined as a claim sum of money superior to the yearly turnover, or breaches of criminal law by members of senior management. The respondent also asked for precise definitions of “potential legal actions” and “pending court proceedings”.
45. **ESMA response:** For this reporting item, ESMA maintained the approach of the 2015 Guidelines, with the exception of introducing a level of differentiation in the reporting frequencies under the Calendar A and Calendar B. As a result, given the broad support for the item as drafted, the difficulties in establishing materiality principles for reporting as well as ESMA’s general satisfaction with the level of reporting under this reporting item, ESMA is not introducing any changes in the final guidelines.

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

46. Thirteen respondents replied to this question. Seven of them approved ESMA’s approach, or declared that they had no objections. Five raised questions or comments. One expressed its disagreement.
47. In general, respondents had concerns about reporting internal complaints and potential/new conflicts of interest under a Template named “Breaches”. They highlighted that a potential/actual conflict of interest becomes a breach only where it is mismanaged.

They deemed that breaches of the CRA Regulation should be reported in a different template than internal complaints, or potential/new conflicts of interest.

48. One respondent asked for some clarification on materiality thresholds for items to report. For example, “facts” and “related\_documents” seem appropriate for breaches of CRAR, but would be less applicable to potential conflicts of interest that were identified and managed.
49. **ESMA response:** In response to comments received ESMA is introducing a separate template for CRAs to report Conflicts of Interest to ensure that it is reported separately to internal complaints and potential and actual cases of non-compliance.
50. In addition, ESMA is introducing wording within the reporting instruction to clarify that reporting under this reporting item relates the existing or potential conflicts of interest that the CRA notified to ESMA during the registration process, and that its purpose is to ensure that ESMA has an up to date list of these existing and potential conflicts of interest. As a result, on an annual basis, CRAs should submit the list of the existing or potential conflicts of interest that it has identified during the reporting period.

## **2.5. Module: Ratings and Methodologies**

**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.**

51. Thirteen respondents replied to this question. Six of them approved ESMA’s approach. One agreed partially, another had a comment One disagreed with the approach. Four had no comments to provide.
52. One respondent asked for clarifications about the reporting frequency: the proposal calls for annual reporting in one section of the Draft Guidelines (page 23), but semi-annual in another section (reporting calendar, table 7).
53. Another respondent believed that it would be more relevant to fill in the Template only for ratings that are disclosed publicly on the website, given the scope of CRAR. Alternatively, if this apply to all ratings, then ESMA should rely on RADAR instead of the Template. A field could be included in RADAR, where CRAs shall include the reason why they did not review the rating in time. Since ESMA already has access to RADAR, filling the Template would constitute a duplicate, which is unnecessarily costly.
54. Finally, one respondent proposed the approach “upon demand”. To assess compliance with this requirement ESMA shall ask CRAs for the review notification of ratings which were assigned at least one year (credit ratings) or half-year (sovereign ratings) before the demand. Even more efficient would be to ask for a specific credit/sovereign rating and to receive the information on the review outcome of that single rating.

55. **ESMA response:** ESMA noted that respondents were broadly supportive of this reporting item. ESMA has clarified in the final guidelines that the frequency of submission for CRAs under Calendar A and Calendar B is annual. With regards to the request from a CRA that reporting under this item be integrated with RADAR, as this reporting is based on a Regulatory Technical Standard, it is not feasible or necessarily desirable to request such information through this means. Also, given the importance of the information received under this item for ESMA's supervisory assessment in September / October it is necessary to ensure that this is received at a regular interval, as such an "on demand" approach would not be practical. For these reasons, ESMA has maintained the approach of the CP.

**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.**

56. Thirteen respondents replied to this question. Seven of them agreed with ESMA's proposed approach or had no concerns about it. One only partially agreed. One had comments. Two respondents disagreed with it. Two had no comments to provide.

57. One respondent requested confirmation that the information under column header "Reason description" in Table 2 relates to why a given "methodology" was not reviewed annually, rather than why a given "credit rating" was not reviewed annually.

58. Two respondents noted that the proposed approach would constitute a duplicate for the same CRA Regulation requirement. Indeed, ESMA has issued "Guidelines on the validation and review of CRA's methodologies" (ESMA/2016/1575). Based on this document CRAs are obliged to consider the Guidelines preparing the "Review Report of the methodology/models". The respondents believe that within this Report, they present all needed information.

59. One respondent objected to the idea that a CRA's certification under Item 8 should cover "...each model applicable in the EU". They noted that Article 8(5) of the EU CRA Regulation requires that a CRA reviews its credit ratings and methodologies on an ongoing basis and at least annually, but does not refer to models. Recital 34 of CRAR states that the review of models should be done on a "periodic basis" only. Thus, this respondent suggested that Item 8 and Template 5 should be amended to reflect this.

60. **ESMA response:** The purpose of this item was to ensure that ESMA receives regular information on whether or not CRA's models and methodologies have been reviewed on an annual basis. However as highlighted by some respondents, models are required to be reviewed on a periodic basis, rather than an annual basis. As such, if the approach proposed in the CP was maintained it may result in ESMA receiving an uneven level of reporting from different CRAs, with some confirming whether their methodologies and models had reviewed and others confirming whether only methodologies had been reviewed. To ensure that this item delivers consistent reporting across CRAs, ESMA is clarifying that CRA's should provide this confirmation in respect of the methodologies that are applicable in the EU, and not their underlying models. Finally, ESMA does not consider

that this item duplicates the approach of the Guidelines on the Validation and review of CRAs methodologies, as this reporting item is focused on establishing a regular supply of information on CRAs review practices, rather than establishing general principles.

**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.**

61. Twelve respondents replied to this question. Four of them approved the proposed approach. Two raised questions. Four had concerns about the template. Three of them disagreed with the approach.
62. Two respondents noted that this would be time and resources consuming. One of them questioned the need to report this information through separate submissions in Items 9 and 21, and believed that the provision of information in Item 3 should be sufficient. Another CRA suggested to provide this information “upon demand” in order to alleviate the burden.
63. One respondent raised a question: in case a function is outsourced, they would like to know how to take into account the staff allocated to the outsourced company.
64. Several respondents raised concerns about the template. They noted that depending on CRAs’ structures and procedures, there may not be a distinction between “Lead Analysts” and “Support Analysts”, or “Surveillance” and “First Issuance” ratings, for example. They recommended to remove these distinctions from the proposed Guidelines. For reasons of consistency and coherence, one respondent suggested that the business lines be aligned with RADAR reports which separates business lines into Structured, Corporate and Sovereign. Two respondents also believed that reporting the total number of credit ratings would be misleading if used as an indicator for resources, since one issuer generally carries a range of related credit ratings. They suggested that the total number of ratings should be replaced by the number of issuers, or the number of deals for structured finance. Finally, one respondent suggested a different template, in which the figures outlined would cover the maximum and average number of rating processes performed during the period per analyst, per business line, per surveillance/first assignment, and per lead/support functions.
65. **ESMA response:** The purpose of this reporting item is to receive information from CRAs on the allocation of analytical staff across business lines, with reference to whether those analysts were working in a surveillance or first assignment capacity. However, on the basis of feedback received from CRAs the proposed granularity of reporting, in particular the surveillance or first assignment aspects would have been difficult for all CRAs to provide and would have created the potential for ESMA to receive unclear or misleading insights on the allocation of the CRAs analytical staff. As a result, ESMA has removed the requirement to report this information in the template. Under the new instructions ESMA should receive a breakdown of the number of analysts versus the number of credit ratings by business line of the CRA.

**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.**

66. Twelve respondents replied to this question. Four of them supported the approach. Three CRAs raised questions about it. Two respondents proposed another Template. Two disagreed with the approach. One respondent had no comments on this question.
67. Two respondents believed that the Template was disproportionate. Another respondent believed that the information would already be provided in other Templates, and the provision of information under Item 3 should be sufficient. Alternatively, another respondent proposed another approach: they considered to be more informative a template which would cover the following information: business line (CORP, FIG, SF, SOVPP), total number of review/validation processes completed by the CRA in a specific business line, total number of officers eligible for review/validation processes, total number of analysts eligible for review/validation processes, max/avg review/validation processes completed by a single officer, max/avg review/validation processes completed by a single analyst.
68. Two respondents raised questions on the approach. One wanted to know how outsourced staff should be taken into account, and the other would like some clarification on the level of details to be provided.
69. Three respondents highlighted that their structure would not be compatible with this Template. Two respondents noted that their models and criteria are not EU specific, and can be reviewed and validated in any global office. As a result, one of these respondents suggested that the reported numbers of staff allocated assigned to the review or validation of methodologies should be include non-EU staff, in order to better reflect resources. A second respondent noted that they did not conduct the review and approval of methodologies and models according to business lines as they have a group which serves a global function. Thus, they would be unable to report the information requested, as it relates to specific business lines.
70. One respondent highlighted the existence of an apparent error on page 70 of the proposed Guidelines where the reporting deadline for Item 8 is listed as 31 January, as opposed to 31 July as stated on page 24.
71. **ESMA response:** The purpose of this reporting item is to receive information on the level of internal review staffing within CRAs and across the industry. However, on the basis of the feedback received it seems that the format of the information that ESMA was looking for CRAs to provide would not have been practical. In particular, feedback from CRAs has indicated that the structure of their internal review functions would not be easily accommodated in the proposed template. One of the main reasons for this being that a number of CRA's internal review functions are not organised or divided along the business lines of the CRA. For this reason, ESMA has amended the template and removed reference to the CRA's business lines. In addition, a number of CRAs highlighted that their

internal review function was organised at a global level, and as such the instruction to report the template at the level of the EU was not practical and would provide an unrepresentative picture of the true level of CRAs internal review capabilities. For this reason, ESMA has introduced wording in the reporting item to clarify that the figures provided in respect of this item should be completed at the global level of the CRA's functions.

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

72. Twelve respondents replied to this question. Three of them approved the proposed approach. Six respondents raised questions or suggested minor changes. One disagreed with it. Two respondents had no comments on this question.
73. One respondent noted that it is important to make this information public for rating users to know which ratings are endorsed and why.
74. However, some respondents raised questions about the approach. One asked for a legal definition of "objective reason". Another noted that the categories provided by ESMA for objective reasons leave scope for interpretation and require clarification for consistent application. They also would like more clarifications on the reporting frequency: the draft proposed Guidelines call for semi-annual reporting in one section (draft guidelines, page 27), but annual reporting in another (draft guidelines, reporting calendar, table 7). Finally, one respondent requested clarifications on the differences between Item 11 and Item 25, and further details regarding the obligations on reporting objective reasons stated in Annex I, in particular point 23.
75. Two other respondents noted that whereas Item 11 specifically refers to elaboration of "any EU credit ratings" by a CRA outside of the EU, Template 8 requires EU CRAs to report all objective reasons including those for non-EU entities or instruments. Requiring objective reasons about non-EU entities to be reported would, given the volume, be unnecessarily burdensome in these respondent's opinions. Alternatively, in order to reduce the burden, one respondent suggested to request only information on EU-based entities rated outside of the EU. The other respondent suggested that CRAs should be required to report the full list of objective reasons that they use in order to endorse ratings in the EU, and to provide an indication of the number of ratings falling into each category. ESMA could then use this information to focus on areas of concern.
76. One respondent disagreed with the approach because it believes that the reporting of objective reasons would be too burdensome for smaller CRAs, while not being proportional to the associated risks. Another respondent suggested to require this information on an annual basis only, to reduce the burden.
77. **ESMA response:** The purpose of this reporting item is to receive information from CRAs on their objective reasons for the elaboration outside of the EU of any credit rating on EU entity or instrument, under Article 4(3)(e) of CRAR. On the basis of the feedback received

from CRAs, ESMA has amended Item 11 and Template 8, to clarify that CRAs should only report these objective reasons for ratings on EU-based entities or instruments that are elaborated outside the EU. Objective reasons for credit ratings on non-EU entities do not need to be reported. Additionally, ESMA highlights that the information to be reported under this item is different from Item 25, which is designed to enable ESMA to receive a notification when a CRA begins endorsing ratings from a new jurisdiction.

## **2.6. Module: Internal Control**

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

78. Twelve respondents replied to this question. Nine of them approved the proposed approach or expressed no concerns about it. One raised questions about it. Two had no comments on this question. No respondent disagreed with the approach.
79. One respondent deemed that this would be a duplication of reporting. Another respondent noted that CRAs generally produce compliance plans on an annual basis, so “Category 1” CRAs would likely send “mid-year” plans rather than a proposed plan of work covering the forthcoming 12-month period.
80. **ESMA response:** ESMA noted that respondents were broadly supportive of this reporting item. As a result, ESMA has maintained the approach of the CP, but moved the annual submission deadline for CRAs under Calendar A and Calendar B from 31 July to 31 January, in order to match CRAs’ internal processes.

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

81. Twelve respondents replied to this question. Seven of them agreed with the approach, or expressed no concern about it. Two had no comments on this question. One raised concerns, because they deem that this would be a duplication of reporting. Two did not agree with the approach, because they do not have any internal audit functions.
82. A respondent noted that CRAs generally produce work plans on an annual basis, so “Category 1” CRAs would likely send “mid-year” plans rather than a proposed plan of work covering the forthcoming 12-month period.
83. **ESMA response:** ESMA noted that respondents were broadly supportive of this reporting item. As a result, ESMA has maintained the approach of the CP, but moved the reporting deadline for all CRAs from 31 July to 31 January, in order to match CRAs’ internal processes.

**Q15: Do you agree with the proposed approach regarding the submission of Compliance Assessments, Risk Assessments and Internal Audit Reports? If not please explain.**

84. Twelve respondents replied to this question. Nine of them agreed with the approach or declared that they had no concerns about it. One respondent raised concerns, as it deems that this would be a duplication of reporting. One had no comments to provide about the approach.
85. Finally, one respondent asked for clarification regarding audits conducted by its parent company. The scope of these audits are set by the parent company, and may on occasion overlap audits already conducted by their internal control functions. In addition the respondent asked ESMA whether the reporting item should be understood as extending to external financial audits.
86. **ESMA response:** ESMA noted that respondents were broadly supportive of this reporting item. As a result, ESMA has maintained the approach of the CP. Additionally, ESMA would like to clarify that Item 14 does not relate to external financial audits. The internal reports refer to those internal audit reports, or risk assessments that address EU regulated processes, systems or data.

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

87. Thirteen respondents replied to this question. Six of them supported ESMA's approach. Five respondents raised questions. Two respondents disagreed with it.
88. Several respondents asked questions. One respondent requested some clarifications regarding the way of reporting compliance assessment that is done on a continuous basis. Another one would like to receive more guidance on the meaning of the following: a clear matrix in general and definition of the term 'finding' in order to fill in Template 9 with the relevant information. Finally, a respondent requested a clarification in the proposed Guidelines that CRAs need only to report on Internal Control Deficiencies identified, and not all Management Action Plans which are included in compliance, internal control or other assessments and which may be minor in severity or not relevant to internal controls.
89. One respondent which disagreed with the approach did so because they believe that ESMA should receive these information "upon demand", or to integrate these questions in an existing template, such as Compliance Report. The other respondent that disagreed with the approach believes that this would be a duplication of reporting. They believe that, at least, a materiality threshold should be applied. The idea of a materiality threshold was also supported by another respondent which suggested to report only the findings that the CRA assesses as "Critical" or "Moderate", rather than "Minor".
90. Another respondent did not object to the proposed approach provided that it relates to: (1) assessments and remediation related to the CRAR; and (2) remediation resulting from

findings, as opposed to information regarding preliminary or ongoing assessments undertaken by the CRA's internal control functions and/or other third-party review. They suggested that Item 15 and Template 9 be revised to clarify that the reporting requirement in Item 15 and Template 9 is triggered only after the completion of an assessment, and is limited to those assessments that result in a finding and remedial action.

91. Two respondents also sought confirmation that reporting of information in this item would be required annually as stated within the text of the draft proposed Guidelines, rather than semi-annually, as stated in the reporting calendar. One respondent would like ESMA to confirm that the topics to be reported relate to the CRA's own internal assessments and findings, and not those resulting from any review or examination by ESMA or any other supervisor.
92. **ESMA response:** The purpose of this reporting item is to enable ESMA to help assess CRAs' monitoring of the effectiveness of their internal control arrangements. To this end, the reporting item has been designed to ensure ESMA receives information on completed assessments and any consequent remedial actions. This will enable ESMA to understand the efforts CRAs are making to implement any remedial actions plans proposed by ESMA or initiated at the CRAs initiative.
93. However, on the basis of feedback received to the CP, ESMA understands that greater clarity is necessary in the reporting instructions in order for the information reported by CRAs is consistent and usable. In addition, ESMA recognises that the proposed reporting template should also be modified to ensure that the information to be reported is clearly understood.
94. To address these issues, in the reporting instructions ESMA has clarified the scope of the information to be reported. This relates to those systems, internal control mechanisms and arrangements established by the CRA to ensure compliance with the CRA Regulation. In this regard, CRAs should report those internal control assessments that were completed during the reporting period either at the initiation of ESMA or an internal control function of the CRA (this may also include assessments performed by external providers at the request of the CRA's internal control functions). In addition, CRAs should also completed the template in respect of any remedial actions that were opened as a result of those internal control assessments.
95. For example, if at the initiative of its Compliance Department, a CRA concludes an assessment of one particular function during the reporting period, then the template should be completed in respect of this assessment. In addition, if on the conclusion of this assessment the CRA proposed a number of remedial actions, then the template should also be completed in respect of these remedial actions, regardless of whether they were closed by the end of the reporting period.
96. To ensure the scope is clearly linked with internal control functions, the reporting instructions have been clarified to make clear that management action plans are not required to be included in this reporting item.

97. Within Template 9, ESMA has amended the fields to ensure that the template is aligned with the revised reporting instructions. Specifically, this has involved ensuring that the information to be provided is clearly linked to internal control assessments completed during the reporting period, and remedial actions opened as a result of these internal assessments.

**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.**

98. Fourteen respondents replied to this question. Five of them approved the approach. Six of them raised questions and concerns. One disagreed with the approach. One had no comments to make. One respondent highlighted that they could not provide such attestation.

99. One respondent noted that this requirement would only apply to a subset of CRAs, and asked ESMA to reconsider the request to provide such an attestation. They believed that if ESMA continues to seek such attestations, they should only be provided if possible by the CRA, and on an ad-hoc basis.

100. Another respondent noted that this report concerns a calendar year and is finalised and attested to by the end of March in the following year. Another respondent requested that ESMA clarifies that CRAs are not expected to create an additional annual internal controls report relating to a different period (e.g. July-June) but may provide the most recent annual internal controls report as soon as it is available.

101. One respondent which disagreed with the approach noted that there was no legal basis for ESMA to request such information, and that it would not be relevant if the aim is to control CRAs' compliance with CRAR. Additionally, the respondent noted that ESMA could obtain these information through exchanges of information with third-country supervisory authorities, instead of requesting CRAs to provide it which could expose them to legal proceedings. Another respondent also stressed that it may be necessary to obtain the consent of a third-country regulator before such a report can be shared with ESMA. This could in turn impact upon the ability of CRAs to submit information within the timescales requested by ESMA. It is also noted that relevant information could be reported through other Templates.

102. Finally, one respondent highlighted that the requested documents should be treated confidentially by ESMA.

103. **ESMA response:** The purpose of this reporting item is to enable ESMA to understand CRAs' assessment and identification of any material weaknesses in their internal control system. As a result, where an attestation is already being provided by the CRA to other supervisory bodies, ESMA believes that this information would be relevant for its supervisory purposes. However, on the basis of the feedback received from CRAs, ESMA believes that it is necessary to clarify in the guidelines that this should only be provided

where it does not conflict with any legislative or confidentiality requirements, and that the reporting period deadline of 31 July applies to whatever is the most recent attestation available at that time.

104. Additionally, ESMA has amended the text of the Guidelines to clarify that CRAs should submit the attestation only where this does not conflict with any confidentiality obligations to other supervisory bodies.

**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.**

105. Thirteen respondents replied to this question. Six of them approved ESMA's approach or expressed that they had no concerns about the approach. One partially agreed: for "Category 1" CRAs, they believe that ESMA should receive plans annually, and only in case of updates. One respondent disagreed with the approach, as they deem the required information to be too detailed and too time-consuming. Another respondent disagreed because this information should be reported to ESMA as part of the conditions for registration. One respondent stated that not all CRA's prepare a BCP. Three respondents had no comments to provide.
106. **ESMA response:** ESMA noted that respondents were broadly supportive of this reporting item. As a result, ESMA has maintained the approach of the CP, but moved the submission deadline for CRAs who report according to Calendar A to 31 January, instead of 31 July, in order to match CRAs' internal processes.

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

107. Thirteen respondents replied to this question. Seven of them agreed with ESMA's approach. Two respondents partially agreed and provided comments. Three respondents had no comments to provide.
108. The respondents that partially agreed with the approach believed that such information should be provided in the format of a "Risk Dashboard" only if it already exists within the CRA. These respondents highlighted that information on risks is otherwise reported through Board Minutes. It was suggested to create a statement or a tick box where each CRA declares whether these documents have been provided under a different Item and therefore there is no need to duplicate the reporting and consequent effort and cost.
109. One respondent asked for clarification of the proposed reporting frequency: in one section of the Draft proposed Guidelines, the proposed reporting frequency is annual in the text of the draft proposed guidelines, but in the reporting calendar is described as semi-annual.
110. **ESMA response:** ESMA noted that respondents were broadly supportive of this reporting item. ESMA has only amended the reporting calendar so that submissions shall be

“annual” for Calendar A, and “upon demand” for Calendar B. Additionally, the reporting deadline for CRAs who report according to Calendar A has been moved to 31 January from 31 July, in order to match CRAs’ internal processes and alleviate the regulatory burden.

## **2.7. Module: Information Technology**

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

111. Thirteen respondents replied to this question. Nine of them agreed with the proposed approach or stated that they had no concerns with it. One disagreed, because they deem it too intrusive and time-consuming. One respondent requested further details on the term IT Strategy. Two respondents had no comments to provide on this matter.
112. **ESMA response:** ESMA noted that respondents were broadly supportive of this reporting item. Consequently, ESMA has only amended the reporting calendar so that submissions shall be “annual” for Calendar A, and “upon demand” for Calendar B. Additionally, the submission deadline for Calendar A has been set to 31 January, instead of 31 July, in order to match CRAs’ internal processes and alleviate the regulatory burden.

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

113. Twelve respondents replied to this question. Four of them agreed with the approach. Five of them raised questions or offered amendments. Two of them disagreed with the approach, because they deem it to be too burdensome and intrusive. One respondent had no comments to provide. One respondent requested some guidance on what ESMA would deem to be a “key IT project”.
114. Three respondents stated that for small CRAs, it would not be relevant to have ongoing IT programmes and projects reporting. One of them noted that smaller CRAs may not have an IT Programme, but only an IT project. For this reason, it was proposed to include the words “where the CRA has an IT Programme”, so Template 10 would be filled with the relevant information only where CRAs have that information. Another respondent highlighted that small CRAs have limited resources, so this approach would be burdensome for them. They suggested to distinguish CRAs using the €10M turnover threshold, and to ask for detailed descriptions of IT Programmes and Projects on an “upon demand” basis, if ESMA deems the information to be necessary.
115. Another respondent explained that they use a specific methodology for the development of IT projects, which splits long-term projects in smaller subsets designed to be completed on a quarterly basis. As a result, they would not be able to complete the task phase, task completion and delays sections of the Template. They suggested that ESMA modifies the Template to allow CRAs to provide a general status update on programmes or projects, where sections of the Template are not applicable.

116. Finally, one respondent believed that certain aspects of the proposed requirements are disproportionate and include a level of detail that does not reflect a CRA's risk profile. Specifically, they suggested a number of amendments to Template 10.
117. **ESMA response:** The purpose of this reporting item is to assist ESMA in monitoring the progress and expected delivery dates of CRAs' key IT Projects. Under the initial proposed reporting instructions, ESMA referred to the need for CRAs to report both IT Programmes and Projects. The rationale for this approach was that CRA's may have high level IT/Business Process Programmes, which are composed of separate IT Projects, and ESMA was looking to ensure that the reporting item was capable of capturing these two elements. However, based on the feedback provided, ESMA understands that this distinction between IT programmes and IT projects is not clearly understood by all CRAs, and in fact the reporting of IT Programmes may be provided as part of that CRAs IT strategy provided in respect of Item 19. As a result, ESMA has narrowed the focus of this reporting item to IT Projects on this basis.
118. In addition, ESMA is providing further detail in the reporting instruction to clarify what a key IT project is. In this regard, ESMA considers a key IT project to be an IT project that supports and improves the operation of a CRA's rating process (including all the sub-process of rating production and dissemination), methodology, development, methodology validation, methodology review processes and commercial or business development processes.
119. Within Template 10, ESMA has removed reference to IT programmes, and clarified a number of fields. In particular, ESMA has removed the field requiring CRAs to report the % completion of a task and has rephrased the requirement to report a project's current task phase. This has been replaced with a field where the CRA can provide a description of the current level of completion of the IT project. Finally, ESMA has merged the field of delays with the additional comments field. With regards to the field for any outsourced IT projects, this has also been simplified, so that a CRA must only report the name of the company to which some or all of the IT project development activities have been outsourced.

## **2.8. Module: Financial, FTE and Headcount**

**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.**

120. Fourteen respondents replied to this question. Five of them approved ESMA's approach or stated that they had no concerns with it. Four respondents raised questions. One only partially agreed with the approach, because they do not understand ESMA's intention to reach comparability between CRAs. Two disagreed with the proposed approach. Two respondents had no comments to provide.

121. One respondent asked for clarifications on how to report FTEs working in functions that partially intersect (e.g. rating process and methodology comments for further developments). Three respondents sought clarifications on the meaning of “other” in Template 11, and on the application of this Item/Section for outsourced functions. One respondent also noted that it may be difficult for smaller CRAs to determine the precise FTEs allocated to one function, as they have a limited number of employees.
122. One respondent disagreed with the approach because they do not understand why they should submit the number of FTEs. They also noted that there is no field in the Template to report PTE. Another respondent disagreed because they think that Template 11 would be a duplication of Items 3, 9 and 10.
123. Finally, one respondent believed that the number of FTEs to be reported should be limited to those that directly support the EU operations.
124. **ESMA response:** The information received in response to this reporting item is an important element of ESMA’s supervisory assessment of an entity. For example, within this one template ESMA receives range of information from numbers of staff, numbers of IT applications, number of branches etc. In this regard, ESMA recognises that for this information to be useful it needs to be comparable and consistent across CRAs, as a result the inclusion of fields marked “other” have been removed from the document, whereas a section for risk management has been added to ensure a complete picture of CRAs internal control staffing In addition and to maintain consistency with the information reported in other sections, notably under Item 20, reference to IT programmes has been removed.
125. With regards to Template 11, ESMA has amended a number of fields to improve the logic of the template. In practice, this means that the first part of the Template should include the CRA’s name, number of EU legal entities if it is a group of CRAs, number of branches of those EU legal entities worldwide (excl. EU), number of branches of those EU legal entities in the EU. Following this the CRA provides FTE relating to its global operations, for groups of CRAs these number should include EU and Global staff numbers. In the next section the CRA provides the same staffing information except just at the level of the EU.

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

126. Thirteen respondents replied to this question. Three of them agreed with the proposed approach. Five raised questions or suggested amendments. Three of them disagreed with the approach. Two had no comments to provide on this question.
127. Some respondents asked for clarifications. One wanted an explanation on what would be considered as IT programmes and projects, noting that smaller CRAs may not have such an IT structure. Two other respondents asked for further guidance on the meaning of “rating-related IT applications – Other supporting processes”. One of them believed that

there was no need for ESMA to receive information on a regular basis on IT programmes and projects unrelated to ratings.

128. Two respondents disagreed with the approach because they did not understand why the number of IT programmes and projects should be submitted (e.g. legal basis for this request), and they believed that the reporting should be bi-annual or “on demand”, at least for “Category 2” CRAs. Another respondent disagreed with the approach because they find it too intrusive.
129. Several respondents suggested amendments. One respondent believed that for IT applications that fall within outsourcing agreements, reporting should not be duplicated: only the IT applications/projects owned by the CRA shall be reported. Another respondent requested that the proposed text be amended to require information on “material” IT Programmes and Projects only. Without limiting the scope to material IT Programmes and Projects, the creation of reports including of all IT programmes and projects would be onerous and require extensive resources to facilitate the data collection. Another respondent further defined the materiality threshold: they believe that this requirement should be limited to key applications that materially impact the CRA’s risk profile.
130. **ESMA response:** The purpose of the second element of Template 11 is for ESMA to receive an overview of the number of key IT applications in use across that CRA at a global level. In this regard, ESMA expects that to some extent the key IT applications listed here would correspond to the key IT applications listed in Template 15. In this regard, ESMA is looking for CRAs to report how many IT applications are used to support or improve the CRA’s rating process (including all the sub-process of rating production and dissemination), methodology, development, methodology validation, methodology review processes and commercial or business development processes. The numbers reported should relate only to those systems linked with EU regulated business and data or other shared systems that support EU regulated business and data.

**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**

131. Seventeen respondents replied to this question. Seven of them approved the approach. Five of them raised questions and suggested amendments. Five of them disagreed with the approach. One respondent approved the approach.
132. Some respondents asked for clarifications. One of them would like to have some clarification on the type of information required (particularly around costs and cost types), and the level of detail expected. Several respondents asked for a clear definition of the credit rating related products or services. One of them wanted to know if ESMA would conduct individual assessments for each CRA, in order to define exactly which products or services should be reported. They also suggested that ESMA should define the

"operational costs" and "non-operational costs", i.e. which expenses should fall under each category. Additionally, they would like ESMA to clarify whether the reporting should be done on an annual basis (as indicated in Template 12) or on a quarterly basis (as indicated in the text of proposed guidelines). Another respondent highlighted that CRAs do not prepare information on a quarterly basis, as it is not requested by local fiscal regulations. It was suggested that ESMA align the reporting deadline of Item 22 with the deadline for CRAs to provide their statutory accounts, which is 31 May. Finally, a respondent suggested to use the same categories that are used for RADAR reporting (Corporate, Sovereign, Structured Finance).

133. Some respondents believed that this requirement would be very burdensome for them. One respondent asked if they could use US Generally Accepted Accounting Principles for quarterly reporting: if they have to use local GAAP, it would be more time-consuming and they would not be able to meet the reporting deadline. Another respondent noted that the Template was not in a standard format for reporting this type of information, so it would require manual inputting. They suggested using a standard Profit and Loss format, which could more easily filled in from CRAs accounting systems.
134. A number of respondents disagreed with the approach, as they consider that affiliated entities are outside the scope of ESMA powers under the CRA Regulation. One respondent noted that in conjunction with the regulation on the reporting of periodic fees<sup>1</sup>, the information on costs and revenues on ancillary services shall be reported only when the client that has acquired an ancillary service has also acquire a rating product, thus in cross-selling scenarios.
135. **ESMA response:** The purpose of this reporting item was two-fold. On the one hand ESMA was looking to improve the consistency of the information submitted to it by CRAs with respect to their costs and revenues. On the other hand, ESMA was looking for CRAs to provide details of products or services sold by entities affiliated with the CRA, in order for ESMA to assess whether they were ancillary to the CRA's credit rating activities. However, in response to the feedback received ESMA has noted that the reporting of such information through a single standardised template may be problematic, requiring either significantly more detailed reporting instructions to avoid risks of inconsistency, comparability and unduly burdensome reporting for CRAs.
136. In addition, ESMA noted the feedback received from some respondents that ESMA Guidelines may not be the most appropriate tool through which to establish the reporting of this information, and that a more logical approach would be to do so using the other tools available to ESMA under the CRA Regulation, such as those under Article 23b.
137. To address these issues, ESMA has reverted to the scope of reporting under the 2015 Guidelines and clarified that the information required from CRAs under this item is limited to the activities of the EU registered CRA. In this regard, CRAs should report information

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<sup>1</sup> Regulation EU 2015/1 of 30th September 2014

on the costs and revenues for credit ratings and other products or services sold by the CRA. This may include ancillary services.

138. The reason for referring to “other products or services” and not “ancillary services” is to avoid the confusion that may result from the absence of an exhaustive definition of ancillary services. Where CRAs may be unsure whether they should provide cost and revenue information for a product or service as it is unclear whether it is ancillary to credit rating activities. Under the approach of the final guidelines it is clear that the boundaries of what should be reported are set by the legal entity of the CRA itself i.e. if a product or service is sold by the EU registered CRA then cost and revenue information should be provided for it via the template.
139. Then, should ESMA wish to receive any additional information in this area it can choose to do so on an ad-hoc basis using the legal tools provided to it under the CRA Regulation.

## **2.9. Module: Internal Policies and Procedures**

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

140. Thirteen respondents replied to this question. Five of them supported ESMA's approach. Five respondents suggested amendments. Three respondents disagreed with the approach.
141. Three respondents sought clarifications on which internal policies and procedures should be reported (e.g. for internal manuals with guidance to the staff). One respondent asked whether ESMA only required a list of policies and procedures, or also required them to be attached to Template 13 as part of the annual submission.
142. Two respondents disagreed with the approach because they deemed it very burdensome, as they would have to transfer all their policies to the Template. Additionally, they believed that the information should be submitted on an annual basis or “upon demand”, instead of on an “as soon as” basis. Another respondent believed that on an annual basis, CRAs should provide only the list of valid policies and procedures without providing additional information on each single policy. One respondent believed that the information should be submitted on a bi annual basis.
143. Some respondents suggested a number of amendments.
144. **ESMA response:** The purpose of this reporting item is for ESMA to identify changes in a CRA's internal control environment that may result from the change of a policy and procedure. In particular, any changes to the policies and procedures that govern how a CRA complies with its requirements under the CRA Regulation.

145. On the basis of feedback to the CP, ESMA recognises that there are a number of elements to this item that require further clarification in order for it to be implemented consistently by all CRAs.
146. The first element that needs to be clarified is what policies and procedures ESMA expects CRAs to report. In this regard, ESMA has clarified that the policies and procedures required to be reported as part of this item are only those policies and procedures related to the CRAs compliance with the CRA Regulation.
147. The second element that needs to be clarified is whether the CRA needs to submit these policies and procedures as attachments to the reporting template. In this regard, ESMA is updating the reporting instructions and the template to clarify that CRAs should not provide the policies and procedures as part of the template, and instead should limit their reporting submission to a list of all active policies and procedures that relate to that CRA's compliance with the CRA Regulation. In this fashion, the scheduled reporting of this item will either confirm to ESMA that none of that CRAs policies and procedures changed during the reporting period, or will provide a useful summary as to which policies and procedures have changed during the reporting period.
148. The third element that needs to be clarified is what ESMA considers to be a change in an existing policy and procedure. In this regard, ESMA has clarified that for the purpose of this item a material change should not be understood as a change to correct typographical errors or other editorial changes. However, a material change may include changes to defined terms within those policies and procedures, given that any such changes may have a material impact on the scope or applicability of that policy and procedure.
149. The fourth element that needs to be clarified is what ESMA considers to be a new policy and procedure. In this regard, ESMA has clarified that for the purpose of this item a new policy and procedure is one which is related to that CRA's compliance with the CRA Regulation, and which has not previously been notified to ESMA. As a result, when submitting the list for the first time, CRAs should provide the full list of its active internal policies and procedures, and then on an ongoing basis notify on the basis of any additions or changes to this initial submission.

## **2.10. Ad-Hoc Reporting Requirements**

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

150. Thirteen respondents replied to this question. Six of them supported ESMA's approach. One respondent partially agreed with the approach. Three others raised questions or suggested amendments. No respondent disagreed with it. One respondent had no comments to provide on this approach.
151. Some respondents suggested amendments. In this regard, one respondent believed that the language should be amended by deleting the words "a change in the information

submitted in the registration application and, more generally," in order to introduce a materiality threshold: "ESMA considers a 'material change' to be any change that may affect compliance with the requirements of the CRA Regulation." Another respondent noted that the text of the Proposed Guidelines referred to Template 12 rather than Template 13 and requested that ESMA amends the proposed text to correct this discrepancy. Another respondent requested an explanation on the terms "material" and "non-material" changes. They also suggested to report the changes annually or "upon demand". Finally, one respondent requested ESMA to provide a Template for the reporting of changes to internal policies and procedures.

152. For Item 27 'Outsourcing Arrangements', a respondent proposed semi-annual or annual reporting for those changes that do not pose a material risk on the CRAs' internal control and the ability of ESMA to supervise the CRA's compliance with obligations under the CRAR. For those items that do pose a material risk, ad hoc reporting would be appropriate.
153. For Item 30 'Business Activities', one respondent would like to know if "non-rating business" refers to "ancillary services".
154. For Item 34 'Change to Procedures used in credit rating activities', a respondent suggested that the reporting requirement be triggered only in the case of substantial or material changes to CRAs' active internal policies and procedures, rather than "any changes" as currently proposed.
155. Three respondents expressed their concerns regarding the volume of information and the level of detail being requested with respect to its technology and cloud environment under Item 36. One respondent believed that the same objectives and effects could be achieved simply by asking CRAs to provide a list of applications and a short narrative of the functionality of the respective application. Further details could be provided upon request. Another respondent believed that only "key" processes and systems should be reported. A materiality threshold should be applied. With regard to Template 15, two respondents did not understand the need for ESMA to routinely receive information on IT programmes and projects relating to any 'Other supporting processes', and would like this field to be removed, or else to have some guidance on the type of processes which should be included. The third respondent believed that a high-level description of the systems would be more useful to ESMA in Template 15. Finally, another respondent noted that it would not report changes on IT applications that are outsourced.
156. With respect to Template 16, one respondent would like to have some guidance on the expected information to be reported.
157. **ESMA's response:** The purpose of this reporting item is to assist ESMA in monitoring any material changes to the initial conditions of registration that may affect a CRA's compliance with CRAR. As a result, on the basis of the feedback received from CRAs, the language of the Guidelines has been amended to clarify the meaning of "material change" to a CRAs' conditions of registration that may affect that CRA's compliance with the requirements of CRAR.

158. In addition, a clarification on the meaning of “as soon as” has also been added, on the basis of the feedback received from the CP. In this regard, ESMA should first receive an initial notification on an as soon as possible. Unless otherwise specified, the CRA should make its own judgement as to what constitutes “as soon as possible” in a given situation, having regard to the urgency and significance of the matter. Second, this initial notification should be followed up within a month by a more detailed notification, given that it is reasonable to assume that further information will have become available to the CRA on the issue by this time.
159. Regarding the individual reporting items. The wording for Item 27 “outsourcing arrangements” has been amended, based on the feedback received from CRAs. It has been clarified that the purpose of this item is to make sure that if there are any material changes to the information submitted to ESMA in accordance with Article 25 of the Delegated Regulation on information for registration and certification of CRAs<sup>2</sup> regarding the outsourcing of important operational functions, then CRAs should notify it to ESMA.
160. Regarding Item 30 ‘Business Activities’, the reference to material changes in the rating and “non-rating business” refers to non-rating business conducted within the registered CRA.
161. Item 34 ‘Change to Procedures used in credit rating activities’ has been amended to clarify that the purpose of this ad-hoc item is to ensure that where a CRA changes an internal policy and procedures in a material fashion, or introduces a new policy and procedure, it should notify this to ESMA on ad-hoc basis. This will complement the scheduled reporting item which will then act as summary of policies and procedures that have changed or been added during the reporting period.
162. As a result, under Item 34 CRAs should notify the template only for those policies and procedures which were changed and added, including an explanation of the rationale for the change or addition. As part of this notification, the document that triggered the notification should also be provided alongside the template in track changes. Finally, the reference to Template 12 instead of Template 13 was corrected.
163. Item 36 ‘IT Process and Information Processing Systems’, has been amended to address a broad number of comments from CRAs that indicated the level of reporting instructions provided in the CP were insufficient to enable CRAs to understand how these two reporting items were intended to function. Specifically, ESMA has made the following changes:
- Template 15: the “other supporting processes” field has been removed, as well as the requirement to provide documents, diagrams, etc. It has also been clarified that the information included in Template 15 should be limited to the most critical IT applications supporting each element of the credit rating processes of the CRA. CRAs should only notify ESMA where there is a change to one of these

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<sup>2</sup> Commission Delegated Regulation (EU) No 449/2012 of 21 March 2012 with regards to regulatory technical standards on information for registration and certification of credit rating agencies.

applications. This template should be notified on an initial one-off basis, and thereafter on an ad-hoc basis following any changes.

- Template 16: the use of this template has been clarified. When a CRA hires a cloud service provider for the outsourcing of any important operational function, it should notify ESMA as soon as possible using the first table of the Template. Then, once the functions have been fully migrated to the provider, the CRA should send the full Template to ESMA. For further Information on this item please see also the response to Q.30.

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

164. ESMA received responses to this question from fourteen respondents. Out of them, seven respondents agreed with the approach and had no comments. A further seven respondents requested clarification with respect to some of the individual reporting items under the non-material changes to conditions of registration. Taking these items in turns:
165. Item 37 'Identification of errors in methodologies / model processes': one respondent suggested that instead of sending a "full notification" after each "initial notification", ESMA could receive further details upon request. This CRA also asked if it would be possible for CRAs to send initial reports only on confirmed errors.
166. Item 38 'CRA IT and Information security incidents notifications': some respondents suggested to introduce a materiality threshold for the reporting of IT incidents. For example, a "material incident" could be one in which the majority of the end-users for a particular IT component or service are severely affected for an extended time period, or one that causes a significant impact on the timing or accuracy of the rating process. Additionally, one respondent asked for a clarification on the scope of the reported information: they believe that it should be limited to the CRA's credit rating business as regulated under the EU CRA Regulation. Finally, one respondent asked for clarification on the meaning of "date of recovery resolution" and "solution status", as these criteria would require CRAs to submit continuous and repetitive Template 18 formats to ESMA.
167. Item 39 'Sovereign Rating Calendar': one respondent asked for clarification as to whether ESMA expect that CRAs submit their updated Sovereign Calendar to ESMA as soon as possible where new sovereign ratings are issued and, consequently, added to the Sovereign Calendar (which could be multiple times throughout the year) even where CRAs do not publish an updated Sovereign Calendar.
168. Item 40 'Notification of New/Change to Methodology': two respondents suggested to introduce a materiality threshold. Another respondent assumed that the notification of ECAI information through Template 19 would eliminate the need for the existing notification requirements for ECAIs related to this information, and asked for a confirmation about it. Finally, another respondent interpreted paragraphs 115 and 116 of the CP as implying that CRAs should seek public consultation on the introduction of or changes to

the models underlying CRA's methodologies. They asked ESMA to clarify that the text of the proposed Guidelines extends to models only in relation to a CRA's reporting obligations to ESMA.

169. Item 41 Endorsed Credit Ratings: two respondents suggested to remove the reference to "all documents", as such language was deemed as overly broad and as imposing an unnecessarily burdensome requirement on CRAs. Instead, they suggested to amend Item 41 to better reflect the requirements of the Guidelines on the Application of Endorsement regime, which states that CRAs only inform ESMA where the endorsing CRA finds that the conduct of the third-country CRA has been in material non-compliance with the relevant internal policies and procedures.
170. Item 42 'Internal Complaints submitted to the Compliance Department': one respondent suggested to amend the text to clarify that only internal complaints that are relevant to compliance with the EU CRA Regulation are applicable. Respondents also asked to provide notification on a semi-annual or annual basis, or to make clear that the obligation to provide ad hoc notification of internal complaints to ESMA is triggered at the close of an investigation and where an allegation has been substantiated, or where it is determined after investigation that a breach of CRAR occurred. Finally, one respondent asked for a clarification on whether appeals to credit rating decisions would be considered as "internal complaints".
171. Item 43 'Potential and actual cases of non-compliance with the CRA Regulation': one respondent asked for a clear codification and types and/or risk level of breaches to be populated in Template 2 and Item 43. Another respondent asked for a clear materiality threshold for reporting breaches. They also asked for a definition of "potential breach", and suggested the following definition: an action or inaction on the part of the CRA is a "potential breach" if the relevant CRA, after preliminary investigation, has a genuine and realistic belief that a material violation of the CRA Regulation may have occurred. Finally, a respondent wanted to know whether reporting under this Item would exclude any breaches that are the subject of a separate reporting requirement, and would like clarification on this point in the final guidelines.
172. In general, respondents suggested to submit the information on a quarterly, semi-annual or annual basis, instead of on an ad hoc basis. This would give CRAs more time to investigate matters before determining whether they meet the conditions for notification, since it could take time to fully understand the nature and scope of an IT incident, for example.
173. **ESMA's response:** The purpose of this reporting item is to assist ESMA in monitoring the non-material material changes to the initial conditions of registration that may affect a CRA's compliance with CRAR. Based on the feedback received from CRAs, ESMA made the following changes:
174. Item 37 'Identification of errors in methodologies / model processes': Replies from respondents indicated a concern about the requirement to notify the identification of errors on both an initial as well as a full basis. ESMA recognises the difficulties a two-tiered

reporting structure could pose for CRAs and ESMA. To address this issue the initial reporting obligation has been removed.

175. In addition, it is necessary to clarify how this reporting item should be implemented. In this regard Q8 of ESMA's Q&As under the CRA Regulation on the identification of errors in methodologies sets what errors should be reported to ESMA, therefore establishing a materiality threshold. Item 37 therefore sets out the means by which CRAs can report the errors that it identifies in accordance with the Q&A.
176. Item 38 'CRA IT and Information Security Incident Notifications': In response to comments received ESMA has introduced a materiality threshold providing a definition of "material IT or information security incidents". As a materiality threshold has been introduced and given the importance of the incidents reported under this Item, ESMA deems it reasonable to keep the reporting frequency on an "as soon as" basis. In this regard, an initial notification should be submitted within 24h, and a follow-up notification should be submitted within one month.
177. Item 39 'Sovereign Rating Calendar': Regarding the reporting of CRA's sovereign rating calendars, ESMA has clarified the wording to remove any doubts as regards the reporting obligations. Thus, it has been clarified that what ESMA is looking to receive from CRAs under this reporting item is the sovereign rating calendar that they publish on their website. If there is a change or an update to this published document, then the new calendar should be reported with an explanation for the deviation.
178. Item 40 'Notification of New/Change to existing Methodology': Following the comments of some CRAs regarding when a notification should be made under this item, ESMA has introduced wording that clarifies when CRAs should notify ESMA of a change to or introduction of a methodology. Thus, CRAs should submit the Template 19 [methodologies and models] following the conclusion of a consultation conducted in accordance with Article 8(5a) of the CRA Regulation, which requires CRAs to consult in the case of material changes to an existing methodology, or the introduction of a new methodology. This is without prejudice to CRA's ongoing obligations under Article 14(3) of the CRA Regulation<sup>3</sup>.
179. Item 41 'Endorsed Credit Ratings': In order to ensure that this reporting item is aligned with the approach of ESMA's Guidelines on endorsement. ESMA has amended the text of the reporting item.
180. Item 42 'Internal Complaints Submitted to the Compliance Department': On the basis of feedback from CRAs, the wording has been amended to clarify that only the complaints relating to compliance with the CRA Regulation should be reported. Additionally, a new Template 2b [Complains Template] has been created, so that the reporting of internal complaints is now distinct from the reporting of breaches. Finally, to ensure proportionality,

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<sup>3</sup>...Without prejudice to the second paragraph, the credit rating agency shall notify ESMA of the intended material changes to the rating methodologies, models or key rating assumptions or the proposed new rating methodologies, models or key rating assumptions when the credit rating agency publishes the proposed changes or proposed new rating methodologies on its website in accordance with Article 8(5a). After the expiry of consultation period, the credit rating agency shall notify ESMA of any changes due to the consultation'.

ESMA clarified that this notification should be provided in accordance with Section 5.3.3 “Ad-hoc reporting requirements” of these Guidelines. Thus, CRAs should send an initial notification as soon as the complaint is received (having regard to the urgency and significance of the complaint), and then a more detailed notification within a month.

181. Item 43 ‘Potential and Actual Cases of Non-Compliance’: Given that this item does not introduce major changes compared to the previous Guidelines, ESMA has only introduced limited changes to this reporting item. In this regard, ESMA has taken the opportunity to clarify that this reporting item relates to internal complaints that fall within the scope of the CRA Regulation. ESMA has also split the reporting template from those template used to report internal complaints or conflicts of interest. The new template 2c is titled potential or actual breaches. Finally, in order to provide some comfort to CRAs, the “as soon as” principle described in Section 5.3.3 “Ad-hoc reporting requirements” of this Guidelines has been restated.

**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?**

182. ESMA received responses to this question from eleven respondents. Four respondents indicated notifying ESMA of all errors to their methodologies and their application regardless of whether the errors were considered material. Two of these respondents stated that it would be helpful if ESMA established a materiality threshold to limit the reporting burden. All CRA’s that responded stressed that any error with an impact on a rating would be reported to ESMA, one respondent would only report other errors where there would be change the rating score or where the compliance officer deemed it necessary. One respondent would only report errors in its models or in the application of these models to ESMA where there would be an impact on the credit rating. Finally, one respondent would report any error for which it established that a rating committee needed to be held.
183. **ESMA’s response:** While Article 8(7)(b) of CRAR only requires that errors *with an impact on a credit rating* should be published on a CRA’s website, ESMA should pursuant to Article 8(7)(a) be notified by registered CRAs of *all* errors in methodologies and their application. ESMA considers this to mean that ESMA should be notified of errors which do not have an impact on a credit rating. However, ESMA also agrees that errors of an obviously trivial and immaterial nature need not be reported to ESMA.
184. Taking note of the need for guidance on a materiality threshold for errors to be reported to ESMA pursuant to Article 8(7)(a) of CRAR, ESMA has expanded its Q&A on Methodologies, models and key rating assumptions<sup>4</sup>.

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<sup>4</sup> [https://www.esma.europa.eu/sites/default/files/library/questions\\_and\\_answers\\_on\\_the\\_implementation\\_of\\_the\\_regulation\\_eu\\_no\\_463\\_2013\\_on\\_credit\\_rating\\_agencies.pdf](https://www.esma.europa.eu/sites/default/files/library/questions_and_answers_on_the_implementation_of_the_regulation_eu_no_463_2013_on_credit_rating_agencies.pdf)

**Q28 With regard to notifications under Item 37 “Identification of errors in methodologies / model processes”: (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)?**

185. Twelve respondents replied to this question. One respondent does not apply any threshold for reporting to ESMA. However, they only publish on their websites the errors that result in a change in credit rating.
186. Four respondents stated that any mistake that affects the rating score must be reported to ESMA, and published on their website. Mistakes which have no impact on the score, are only published on the website via the issuance of a corrected press release (e.g. spelling mistakes).
187. One respondent distinguished between errors on models, and errors on criteria:
- ESMA and the rated entity will be notified of errors in its models or in their application, only if the credit rating is impacted.
  - However, for an error in criteria’s, no threshold is applied.
  - Errors on models or criteria are only published on the website if they have an impact on the rating.
188. Another respondent reported that when they notice a potential analytical error, it is investigated in order to determine if it may have an impact on the rating. If so, a rating committee must be held. All errors for which it is established that a rating committee must be held, are reported to ESMA, whether or not the rating changes. Only the errors that have an impact on the rating score are reported on the CRA’s website.
189. One respondent had a suggestion regarding Template 17: they proposed that it be amended so that the CRA would use a numbering system to distinguish each error for the field “Error notification ID”. The proposed field only includes the name of the CRA and the date of the occurrence. This identification system would not work in the event of two different errors occurring on the same day.
190. One respondent would like to have a definition of “error in methodology”. Another one would have a standardised definition of “material errors”.
191. **ESMA’s response:** The responses to this question have been used to develop a Q&A on the reporting of errors in methodologies. In this respect the Guidelines on Periodic Information set out what and how an error should be reported whereas Question 8 of ESMA’s Q&A’s under the CRA Regulation<sup>5</sup> set out when an error should be reported.

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<sup>5</sup> [https://www.esma.europa.eu/sites/default/files/library/questions\\_and\\_answers\\_on\\_the\\_implementation\\_of\\_the\\_regulation\\_eu\\_no\\_463\\_2013\\_on\\_credit\\_rating\\_agencies.pdf](https://www.esma.europa.eu/sites/default/files/library/questions_and_answers_on_the_implementation_of_the_regulation_eu_no_463_2013_on_credit_rating_agencies.pdf)

## 2.11. Reporting Templates

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

192. Twelve respondents replied to this question. In addition to the comments provided above, other suggestions were made. Three respondents noted that generally, Templates were overloaded with recurring formal details. Regarding Template 1, respondents believed that reporting INEDs' opinions in a template format was not suitable, and would not allow comparability between CRAs. As for Template 2, some respondents opposed the idea of reporting potential conflicts of interest within a Template named "Breaches" and suggested that separate templates be used. With reference to Template 3, one respondent suggested that it should only be filled in for ratings that are disclosed publicly on CRAs' websites. As for Template 9, one respondent asked for a definition of "finding", or a clarification on the information that is expected. As for Template 11, one respondent asked for a confirmation that outsourced IT applications should not be reported. A definition of "other" was also requested. Similarly, on Template 15, with reference to minor changes to some software (ordinary maintenance, changes in version or patches), another respondent believed that there is no need to include them in the Template. With reference to Template 18, one respondent asked for a definition of IT Notifications & IT and Info Sec Incident.
193. Finally, one respondent noted that 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. Thus, it might be more convenient to make the templates more application-centred, rather than function-oriented (IT applications and Cloud Computing).
194. **ESMA's response:** ESMA has made a number of changes to the reporting templates that had been proposed in the CP, these changes are discussed in the response for each reporting item. On a more general basis, ESMA has taken the opportunity to reduce some of the detail required by the Templates as well as clarify the information that ESMA is looking to receive within the instructions. In this regard, ESMA has added separate templates in respect of Conflicts of Interest and Internal Complaints in order that CRAs do not need to report non-breach items through the Breach Template. Across all Templates, references to fields specifying the inclusion of "other" elements have been removed in order to ensure that the information collected is consistent and comparable. ESMA has also clarified what should be reported within various templates, what key terms refer to and how the templates should be submitted

## 2.12. Cloud Computing

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

195. Eight respondents provided comments on this question. Three of them supported the approach. One respondent expressed concerns. Several respondents noted that since they do not use cloud computing, they have no comments to make.
196. One respondent noted that this would have a short-term impact on the workload, however it should ease over time, as most of the information would already be sourced. The use of Templates would also make it easier.
197. Another respondent expressed its concerns about the level of detail requested in Template 16, and deemed that the initial request would be time and resource-consuming. They requested that ESMA limits Template 16 to the first table only. Further information could be provided on request. They also noted, with reference to the “Approval for outsourcing to Cloud Services Providers (CSPs) or use of cloud computing services by the governing body”, that they make IT investment decisions during the project governance process. Thus, they requested that ESMA removes the requirement to provide information on the approval of the relevant outsourcing arrangements and the requirement to attach an internal document referencing the relevant approval.
198. One respondent did not understand why ESMA seeks information with respect to the “applicable law governing the contract”. Thus, they requested that this provision be deleted.
199. **ESMA’s response:** The purpose of this reporting item is to ensure ESMA receives relevant information on any important operational functions that a CRA outsource to a cloud service provider. The information that should be provided in this regard should be sufficient to provide ESMA with an overview as to what functions the CRA intends to outsource, to whom the CRA intends to outsource them in addition to the CRAs risk assessment of this process. In this regard, ESMA understands that an “as soon as” notification may not be practical for a CRA to provide all of this information, in addition ESMA recognises that the process of outsourcing a number of functions and their related applications may take a number of months.
200. As a result, ESMA wishes to clarify how CRAs should report the information required of this template. For example, it is the intention of ESMA for Template 16 to entail one submission for all applications outsourced to a single cloud service provider. Logically, this would imply that a CRA would submit the full template as soon as it has successfully migrated all applications that it had intended to outsource to a cloud service provider. However, as this may be a length process, it does not make sense that ESMA receives such an ex-post notification. However, it also does not make sense that a CRA could submit all of the relevant information as soon as it entered into the agreement to outsource

the functions. To address this discrepancy, ESMA has clarified in the Guidelines that only the first panel of Template 16 needs to be notified to ESMA on an as soon as basis. Then, after the CRA has fully implemented the outsourcing agreement it should submit the full Template 16. At any rate, and in line with its letter communicated to CRAs in July 2018, ESMA expects to receive the ex-ante risk assessment and decision-making process, performed prior to the migration to a cloud service provider. For those CRAs already moved to a cloud computing environment, this would mean they need to notify as soon as possible, if they haven't done so, and notify this information for any key change or move to a new cloud computing service.

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

201. Eleven respondents provided comments. A number of respondents requested some clarifications and voiced concerns on the date of applicability of these Guidelines. As the entrance into force is specified as 31 of July 2019, CRA's queried whether the initial reporting (which must be submitted by 31 January) should cover the five-month period from August to December 2019, the 12-month period from January 2020 to December 2020, or the 17-month period from August 2019 to December 2020. Some respondents requested that the first annual submission deadline would be 31 January 2020. They would like to have more time to implement systems and processes to fully support the new Guidelines.
202. Some respondents asked for a close dialogue with ESMA, regarding the categorisation of CRAs for the purposes of this Guidelines. They would like ESMA to take into account the size of the entity, when considering categorisation.
203. One respondent asked for clarification on the scope of the Guidelines. They assumed that this relates to CRAs registered in the EU as at the reporting date but would appreciate confirmation on this point.
204. One respondent noted that there are some inconsistencies with the reporting frequencies listed on page 28 and page 71 in relation to Internal audit plan. For Category 2, it is not clear whether it is required to report "every 2 years" or "upon demand".
205. With regard to the reporting frequency, one respondent requested that ESMA uses "every two years" instead of "biannual".
206. Finally, one respondent proposed that not only the reporting frequencies shall be tailored on CRAS categorization, but also the content of the reporting items. They suggested to reduce the number of Items for smaller CRAs.
207. **ESMA's response:** ESMA intends to maintain the proposed implementation date of 31 July 2019. However, in response to comments and feedback made by CRAs, ESMA has made a number of changes throughout the Guidelines which clarify or reduce the amount of information that should be provided under different reporting items and reporting templates. In addition, ESMA has rescheduled the submission deadlines of a number of items from 31 July to January, thus reducing the initial reporting burden of 31 July. In

addition, ESMA can clarify that given the Revenues and Costs Item has a reporting deadline which precedes the implementation date of the Guidelines, the first submission date for this item under the revised Guidelines will be 31 May 2020. As a result, ESMA considers that it has significantly reduced the expected burden of implementation and that 31 July is an achievable start date for reporting.

# Annex I: Guidelines on Periodic information to be submitted to ESMA by Credit Rating Agencies

## 1 Scope

Who?

1. These Guidelines apply to credit rating agencies (CRAs) registered in the EU. These Guidelines do not apply to certified CRAs.

What?

2. These Guidelines will be published in all EU official languages. Following the translation of the guidelines in Annex 1 into all the official languages of the EU, the final texts will be published on ESMA's website.

When?

3. The guidelines will become effective two months after their publication on ESMA's website in all the official languages of the EU.

## 2 Legislative References, Abbreviations and definitions

### Legislative References

<i>CRA Regulation</i>	Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit ratings agencies as amended by Regulation (EU) No 513/2011 of the European Parliament and of the Council of 11 May 2011, Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011, Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013, and Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014
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### Abbreviations

<i>EU CRA</i>	A Credit Rating Agency registered with ESMA
<i>CP</i>	Consultation Paper
<i>ESMA</i>	European Securities and Markets Authority
<i>EU</i>	European Union

<i>FTE</i>	Full Time Equivalent
<i>INED</i>	Independent Non-Executive Director

### 3 Purpose

4. The Guidelines set out the information that should be submitted by CRAs to enable ESMA’s ongoing supervision of CRAs on a consistent basis. The Guidelines also clarify ESMA’s expectations of the information that should be submitted to ESMA for the calculation of supervisory fees and CRAs market share.

### 4 Compliance and reporting obligations

5. This document contains guidelines issued under Article 16 of the ESMA Regulation. In accordance with Article 16(3) of the ESMA Regulation, financial market participants must make every effort to comply with the guidelines and recommendations.
6. Should ESMA identify a need to revise a reporting template following the introduction of the Guidelines this will be done in one of two ways:
  - (i) Where an amendment is limited to a non-material change (such as the addition, removal or modification of an existing field to clarify the information to be provided) within an existing Reporting Template, ESMA will update that Reporting Template and revise the Guidelines to reflect its update, drawing CRAs attention to the change.
  - (ii) Where an amendment is not limited to a non-material changes within an existing template and includes amendments to any applicable reporting instructions, ESMA will consult on these changes in the customary fashion and update the Guidelines accordingly.

### 5 Guidelines on Periodic Information

7. The Guidelines on periodic reporting are split into five parts:
  - **Section 5.1 – Reporting Assignment.** This section describes how CRAs are assigned different reporting Calendars by ESMA for the purpose of these Guidelines.
  - **Section 5.2 – Reporting Periods and Submission Deadlines.** This section explains the different reporting periods and submission deadlines that apply to the different reporting calendars.

- **Section 5.3 - Information to be submitted to ESMA.** This section explains the information that should be reported by CRAs to ESMA. It is split into three sub-sections 5.3.1 General Principles, 5.3.2 Scheduled Reporting and 5.3.3 As Soon As Reporting.
- **Section 5.4 – Reporting Calendars.** This section includes the reporting calendars for the categories “Calendar A” and “Calendar B”.
- **Section 5.5 – Reporting Templates.** This section includes the reporting templates to be used by CRAs.

## 5.1 Reporting Assignment

8. For the purposes of these Guidelines each CRA will be assigned to a reporting calendar based on ESMA’s internal supervisory assessment. There will be two reporting calendars “Calendar A” and “Calendar B”. CRA’s will be informed of the applicable reporting calendar via formal correspondence. Unless a change is communicated by ESMA in the same manner as the initial notification CRAs should assume no change to their reporting calendar.

## 5.2 Reporting Periods and Submission Deadlines

9. CRAs should submit to ESMA information on a quarterly, semi-annual, annual, bi-annual or ad-hoc basis according to one of two calendars. The reporting periods and applicable deadlines for each reporting calendar are set out in Table 1. For scheduled reporting, CRAs should submit the information within one month following the end of the reporting period concerned (submission deadline). Whereas for Ad-Hoc reporting it should be on an as soon as possible basis.

## 5.3 Information to be contained in the Periodic Submissions

### 5.3.1 General Reporting Principles

10. Where documents are submitted in a language other than English those documents should be in a format that allows automatic translation. To ensure this is possible,

CRA's should submit such documents in .pdf format, or if not, in an unlocked machine-readable format<sup>6</sup>.

**TABLE 1: REPORTING FREQUENCIES AND SUBMISSION DEADLINES**

Reporting Calendar	Reporting Frequency	Reporting Period	Submission Deadline(s)
Calendar A	Annual	Year to 30 June or Year to 31 December	31 July <sup>7</sup>  31 January <sup>8</sup>
Calendar A	Semi-Annual	6 months to 30 June 6 months to 31 December	31 July 31 January
Calendar A	Quarterly	31 March, 30 June, 30 Sept, 31 December	30 April, 31 July, 31 October, 31 Jan
Calendar B	Bi-annual	2 Years to 30 June or 2 Years to 31 December	31 July  31 January
Calendar B	Annual	Year to 30 June or Year to 31 December	31 July <sup>9</sup>  31 January

<sup>6</sup>Information shall only be considered machine readable where all of the following conditions are met:

- (a) it is in an electronic format designed to be directly and automatically read by a computer. The electronic format shall be specified by free, non-proprietary and open standards. Electronic format shall include the type of files or messages, the rules to identify them, and the name and data type of the fields they contain;
- (b) it is stored in an IT architecture that enables automatic access;
- (c) it is robust enough to ensure continuity and regularity in the performance of the services provided and ensures adequate access in terms of speed;
- (d) it can be accessed, read, used and copied by computer software that is free of charge and publicly available.

<sup>7</sup> With the exception of the Template for Costs and Revenues which should be reported on the basis of the previous financial year up by 31<sup>st</sup> May.

<sup>8</sup> Depending on the item some annual reporting items under Calendar A should be provided by 31 Jan. These are typically those reporting items arising from CRA's own internal control reporting structures, which are prepared on a calendar year cycle and for which a 31 July reporting date would be unsuitable. Should these documents change between their submission in January and 31 July of that year, the updated document should be notified to ESMA by 31 July.

<sup>9</sup> With the exception of the Template for Costs and Revenues which should be reported on the basis of the previous financial year up by 31<sup>st</sup> May.

11. Concerning file transmission, each document under each reporting item and each reporting template should be transmitted according to the instructions in Annex II.

### 5.3.2 Scheduled Reporting

12. Reporting of each item under this heading should occur in accordance with the Scheduled Reporting Calendars provided in section 5.4 of these Guidelines.

#### 5.3.2.1 Board Documents and Internal Governance

##### **Item 1 - Board Documents**

13. For reporting under this item, CRAs should submit the following:

- The minutes of their board meetings;
- A copy of documents sent to management and supervisory board members in advance of their respective board meetings, as well as additional documents discussed in the meeting (for instance, reports made by Compliance, Internal Audit Risk, internal review reports function, information security and risk function, etc.);
- Where an independent non-executive director's (INED) opinion is provided in a standalone document, CRAs should submit any opinions presented by a CRA's INED(s) pursuant to point 2 of Section A of Annex I of CRA Regulation and all reports (including follow-up reports) issued by an independent director.

##### **Item 2 - INED Questionnaire**

14. In addition to any INED Opinion submitted as part of a set of Board Documents (item 1), CRAs should provide Template 1 [INED Questionnaire] setting out its INED's opinion with regards to the following items:

- the development of the credit rating policy and of the methodologies used by the CRA in its credit rating activities;
- the effectiveness of the internal quality control system of the CRA in relation to credit rating activities;
- the effectiveness of measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated or managed and disclosed; and,
- the compliance and governance processes, including the efficiency of the review function referred to in point 9 of this Section A of Annex I of the CRA Regulation.

15. For CRAs reporting under Calendar B, the INED Questionnaire should be provided every second year.

##### **Item 3 - Organisational Charts**

16. CRAs should submit their internal organisation charts to ESMA. The information included in the charts should include the information set out in the table below.

Category	Function(s)	Coverage	Geography
Management	Board Members (including INEDs)	All Staff	EU
	Executive Committee Members	All Staff	EU
	Senior Management	All Staff	EU
Analytical Function(s)	Analytical Management	Last Manager	EU
	Analytical Support Management (Data Management)	Last Manager	EU
	In-business Control	All Staff	EU
Methodology development and review	Methodology / criteria / model development	All Staff	EU
	Methodology / criteria / model approval	All Staff	EU
	Methodology / criteria / model review / validation	All Staff	EU
Control Functions	Compliance (all teams)	All Staff	Global
	Risk Management	All Staff	Global
	Information Security	All Staff	Global
	Internal Audit	All Staff	Global
	Other Internal Control Functions	All Staff	Global
Support Functions	Information technology	Last Manager	EU
	Human resources	Last Manager	EU
	Finance	Last Manager	EU
	Commercial staff and business relationship managers	Last Manager	EU
	Legal	Last Manager	EU

17. With regards to the section “Function(s)” each position in the organisational charts should include at least the following information:

- Name;
- Role;
- Location (country);
- Seniority (managerial/non-managerial role, according the CRA-specific grades);
- Reporting line with Function and Name (If an employee reports outside the EU, please provide the global reporting line).

18. With regards to the section “Coverage”:

- “Last manager” means that the organisational chart should include the full hierarchy down to the last managerial position (i.e. staff with no managerial duties could not be reported);
- “All Staff” means that the organisational chart should include all employees allocated to a function.

19. With regards to the section “Geography”:

- “Global” means that the organisational chart should include staff from all regions;
- “EU” means that the organisational chart should include only staff from EU. In case an employee reports outside of the region, the global reporting line should be provided.

#### **Item 4 - Litigation**

20. CRAs should submit to ESMA information on any existing, new or potential legal actions that have been or that the CRA is aware may be taken against the group on a Global level.

21. ESMA expects to receive a brief description of, and updated information on pending and current court proceedings, arbitration proceedings and any form of binding dispute resolution proceedings which were in existence during the reporting period, and which may adversely impact the continuity or quality of ratings and/or materially impact the financial position of a CRA. This description should include a summary of the proceedings and of the potential outcome of the proceedings in terms of liability.

#### **Item 5 - New and Potential Conflicts of Interest**

22. CRAs should submit Template 2a [Conflicts of Interest] in which they should include any changes during the reporting period to the existing or potential conflicts of interest that were notified to ESMA during the CRAs’ registration process.

### **5.3.2.2 Ratings and Methodologies**

#### **Item 6 - Annual Review of Credit Ratings**

23. CRAs should submit Template 3 [Annual review ratings] in which they should provide information as to whether or not it has completed an annual review of all currently issued credit ratings and provide details where any deviation has occurred.

#### **Item 7 - Semi-Annual review of Sovereign Ratings**

24. CRAs should submit Template 4 [Semi-annual review SOV rat] in order to provide ESMA with information regarding the completion of the semi-annual review of sovereign ratings.

#### **Item 8 - Annual Review of Methodologies**

25. CRAs should submit Template 5 [Annual review methodologies] in which they should provide information as to whether or not it has conducted an annual review for each methodology applicable in the EU and provide details where any deviation has occurred.

### **Item 9 – Resourcing: Analysts and Credit Ratings**

26. CRAs should submit Template 6 [Resource planning AF] in which they should indicate per business line the number of analysts employed by the CRA in addition to the number of credit ratings for which they are responsible. This should be completed at the level of the EU group of CRAs.

### **Item 10 – Resourcing: Methodologies and Models**

27. CRAs should submit Template 7 [Resource planning IRF] in which they should indicate the number of staff assigned to the review or validation of the methodologies and models of the CRA. This should be completed at the global level of the CRA.

### **Item 11 - Objective Reasons**

28. CRAs should submit Template 8 [Objective reasons] in which they should provide a description of the objective reasons for the elaboration of any credit rating on EU entities or instruments by the CRA outside of the EU<sup>10</sup>.

#### **5.3.1.3 Internal Control**

29. Each CRA should submit its Compliance, Internal Audit and Risk Management reports to ESMA according to the specifications outlined in this section and to its reporting categorisation.

### **Item 12 - Compliance Work Plan**

30. CRAs should submit a copy of their Compliance Work Plan to ESMA.

### **Item 13 - Internal Audit Work Plan**

31. Where a CRA has established an Internal Audit function or commissioned internal audits from an external party, a CRA should submit a copy of its annual Internal Audit work plan. This document should be reported on an individual basis, in addition to where it may have been included as part of any Board Pack.

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<sup>10</sup> ESMA determines the location of an entity or instrument for the purposes of this item in accordance with the RTS on the European Rating Platform. As outlined in footnote 16 of ESMA's November 2017 Guidelines on the application of the CRA endorsement regime "For the purposes of these Guidelines, the country of an entity or financial instrument follows Articles 4-6, as well as Field 10 of Table 1 of Part 2 of Annex I of the Commission delegated Regulation 2015/2 of 30 September 2014 with regard to regulatory technical standards for the presentation of the information that CRAs make available to ESMA

#### **Item 14 – Compliance Assessments, Risk assessments and Internal Audit Reports**

32. CRAs should submit to ESMA copies of any internal reports or assessments conducted by the Compliance or Risk Management Function during the reporting period or when requested by ESMA.
33. Where a CRA has established an Internal Audit function or commissioned internal audits from an external party, ESMA expects to receive a copy of the Internal Audit assessment or reports that have been produced during the reporting period

#### **Item 15 – Internal Control Monitoring: Assessments**

34. CRAs should submit Template 9 [IC\_CM & IA Overview] to provide information regarding their assessments of the adequacy and effectiveness of their systems, internal control mechanisms and arrangements established to ensure compliance with the CRA Regulation.
35. The template should be completed in respect of internal control assessments that were completed during the reporting period, either at the initiation of ESMA or the CRA's internal control functions (e.g. compliance, risk management, internal control, internal audit, information security), as well as any remedial actions that were implemented following a completed assessment.

#### **Item 16 - Attestation on Internal Controls**

36. Where a CRA's governing body attests on the effectiveness of its internal control environment and, where this does not conflict with any confidentiality obligations to other supervisory bodies, CRAs should submit a copy of the attestation.

#### **Item 17 - Business Continuity Plan / Disaster Recovery Plan**

37. CRAs should submit a copy of its Business Continuity Plan, the results of any annual test, and if this is separate, the CRAs IT Disaster Recovery Plan.

#### **Item 18 - Risk Dashboard**

38. CRAs should submit their risk management dashboard, which should include the highest risks as identified in the context of the CRAs' risk management process. Should the CRAs have separate dashboards for IT and information security risks, CRAs should provide with these documents as well.

### **5.3.2.3 Information Technology Reporting**

#### **Item 19 - IT Strategy**

39. CRAs submit a copy of their IT strategy.

## **Item 20 - IT Book of Work: IT Projects**

40. CRAs should submit information on the progress or completion of key IT projects by completing Template 10 [IT Book of Work]. For this purpose, Key IT projects are those IT projects that support and improve the operation of a CRA's credit rating process (including rating production and dissemination), methodology development, methodology validation, methodology review and commercial or business development processes.

### **5.3.2.4 Financials, FTE & Headcount**

#### **Item 21 - Staff Numbers & Other Indicators**

41. CRAs should submit Template 11 [ Staff Numbers and Other Indicators] providing information on total Full Time Employees (FTE) at a EU and Global level, providing a breakdown of staff numbers according to the following areas:

- Analytical
- Information Technology
- Information Security
- Compliance
- Internal Audit
- Risk Management

42. CRAs should submit Template 11 [Staff Numbers Other Indicators] providing information on the number of IT rating applications in use, the on-going IT projects across the following areas:

- Rating Process
- Methodology Development, validation and review
- Commercial and Business Development Process

#### **Item 22 - Revenues and Costs**

43. CRAs should submit Template 12 [Financials], to provide a breakdown of the costs and revenues generated from credit ratings and other products or services (including ancillary services) for the preceding calendar year. For other products or services, CRAs should include a brief description of each type of product or service reported. Costs and revenues should be determined according to the same accounting principles used in preparation of the CRA's financial statements.

44. For credit ratings, CRAs should report annual revenues broken down by following types of credit ratings: Corporate Non Financials; Corporate Financials; Corporate Insurance; Sovereign / Public Finance; Structured Finance; Covered Bonds. For other products or services, CRAs should report annual revenues broken down by each type of product or service offered.

45. For credit ratings, CRAs should report annual costs per type of credit rating, broken down by operating and non-operating costs. Operating Costs should be further disaggregated between compensation costs (e.g. payroll expenses) and other operating costs. For other products or services, CRAs should report annual costs per product or service broken down by operating and non-operating costs in the same manner. Non-operating costs may include interest and tax charges.

#### 5.3.2.5 Internal Policies and Procedures

##### **Item 23 – Active Internal Policies and Procedures**

46. CRAs should submit Template 13 [Policies and Procedures] in order to provide ESMA with a list of all active internal policies and procedures related to the CRA's compliance with the CRA Regulation.
47. In the case of no material changes to existing policies and procedures during the reporting period, CRAs should confirm this by submitting Template 13 in accordance confirming that there have been no material changes or additions to their policies and procedures since the last scheduled submission.
48. In the case of a material change to the CRAs existing policies and procedures during the reporting period, CRAs should submit Template 13 in accordance with the periodic reporting calendar indicating the policies and procedures that have been added or changed during the reporting period.
49. For the purposes of this Item and Item 34, a material change should not be understood as including changes made in order to correct typographical errors, or other editorial changes. For the purposes of this Item, and Item 34, an addition to the CRA's policies and procedures should be understood as the introduction of a new policy and procedure relating to that CRA's compliance with the CRA Regulation that had not previously been notified ESMA.

#### 5.3.3 Ad-Hoc Reporting Requirements

50. Reporting under this heading should be conducted on an as soon as possible basis in accordance with the reporting calendar in Section 5.4. For the purposes of "as soon as possible", ESMA expects to be notified of an issue without any undue delay and that this initial notification is followed up with a more substantial notification within one month in the event further information becomes available.
51. In practice and unless otherwise specified, CRAs should make their own judgement as to what constitutes "as soon as possible" in a given situation, having regard to the urgency and significance of the matter.

##### 5.3.3.1 Notifications of Material Changes to the Initial Conditions for registration

52. ESMA considers a “material change” to be any change that may affect the CRAs initial conditions of registration or its compliance with the requirements of the CRA Regulation. In this regard, CRAs should notify ESMA as soon as possible of any material changes to the conditions of its initial registration, including but not limited to the following matters:

**Item 24 - Opening and Closing of Branches**

53. CRAs should notify ESMA of any decision to establish a new branch or close an existing branch of one of its legal entities.

**Item 25 - Use of Endorsement**

54. CRAs should notify ESMA of any decision to begin endorsing credit ratings from a new third country jurisdiction, or to cease the endorsement of credit ratings from an existing third country jurisdiction.

**Item 26 - Continuing Right to Exemptions**

55. CRAs should notify ESMA of any change to its existing business activities, corporate structure, staffing levels or other factor that could result in it being unable to benefit from an exemption to certain requirement(s) of the CRA Regulation, granted at the time the time of registration.

**Item 27 - Outsourcing Arrangements**

56. CRAs should notify ESMA of material changes to the outsourcing of any important operational functions notified to ESMA in accordance with Article 25 of Delegated Regulation 449/2012<sup>11</sup>. This notification should include an explanation as to how and why the material change will have no material risk on the CRAs’ internal control and the ability of ESMA to supervise the CRA’s compliance with obligations under the CRA Regulation.

**Item 28 - Legal Form**

57. CRAs should notify ESMA of any change to its legal form. This notification should be made as soon as possible in advance of the change and should include a description of the actions taken and the rationale.

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<sup>11</sup> Commission Delegated Regulation (EU) No 449/2012 of 21 March 2012 with regards to regulatory technical standards on information for registration and certification of credit rating agencies.

### **Item 29 - Business Structure**

58. CRAs should notify ESMA of any change to its business structure including any internal reorganisation or restructuring of its activities such as spin-offs to other group or external entities.

### **Item 30 - Business Activities**

59. CRAs should notify ESMA of any change to the CRAs' business offerings, this includes the provision of a new asset class, a new service and launch of new product in either the rating or non-rating business.

### **Item 31 - Change to Ownership Structure**

60. CRAs should notify ESMA of any change to its ownership structure. This notification should encompass the acquisition or disposal of holdings above 5% of the issued share capital of the CRA.

### **Item 32 - Change to Membership of Supervisory / Administrative Board**

61. CRAs should use Template 14 [Board Members Details] in order to notify ESMA of any changes to the membership of its Supervisory or Administrative Board. In the event of a new member, CRAs should also submit an updated version of the template<sup>12</sup>.

### **Item 33 - Change to Compliance Function or Review Function**

62. CRAs should notify ESMA of any significant changes to the composition, structure or organisation of its compliance and internal review functions. This notification should focus on informing ESMA where there have been significant changes in numbers of personnel, senior management or internal responsibilities and the reason for the changes.

### **Item 34 - Change to Procedures used in credit rating activities**

63. In the case of material change to a CRA's existing policies and procedures or the introduction of a new policy and procedure relating to the CRA's compliance with the CRA Regulation, CRAs should submit an updated version of Template 13 [Policies and Procedures].
64. In providing the template, CRAs should indicate the policy and procedure that has been changed or added, together with an explanation of the rationale for the change or

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<sup>12</sup> Any notification under this item is without prejudice to CRA's requirements under Article 15 'Fitness and Appropriateness' of Commission Delegated Regulation (EU) 449/2012, supplementing regulation (EC) n. 1060/2009;

addition. In this regard, a material change does not include the correction of typographical errors, changes to defined terms or other editorial changes.

65. The updated document that triggered the notification should also be provided alongside the template in track changes.

#### **Item 35 - Financial Resources**

66. CRAs should notify ESMA of any material change to its financial situation. This should include any change to its capital structure or issues that may affect its viability as a going concern.

#### **Item 36 - IT Process and Information Processing Systems**

67. CRAs should complete Template 15 [IT Technology Summary] to notify ESMA of any major changes to the IT processes and information processing systems supporting the rating process. The information included in this template should be limited to the IT applications and systems supporting each element of the credit rating process, methodology/models reviews and development and business development / commercial processes. CRAs should only notify ESMA where there is a change to one of these applications. This template should be notified on an initial one-off basis, and thereafter on an ad-hoc basis.

68. CRAs should complete Template 16 [IT Notification Cloud Computing] to notify ESMA of the CRA's engagement of a cloud computing service provider to support their credit rating process, methodology/models reviews and development and business development / commercial processes. In this regard, CRAs should notify ESMA using the first table of Template 16 as soon as possible following the engagement, with the full Template to be provided following the completion of the outsourcing project. For any change relating to the outsourcing agreement with the Cloud Service Provider CRAs should re-submit Template 16 [IT Notification Cloud Computing] highlighting the changes.

### **5.3.3.2 Non-Material Changes to Registration Notifications**

#### **Item 37 - Identification of errors in methodologies / model processes**

69. CRAs should complete Template 17 [Error] to provide information regarding errors in their CRAs' methodologies or models in accordance with ESMA's Q&A on the identification of errors in methodologies or models<sup>13</sup> [.

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<sup>13</sup> [Question 8 of ESMA's Questions and Answers on the Implementation of the Regulation \(EU\) No 446/2013 on Credit Rating Agencies](#)

### **Item 38 - CRA IT and information security incidents notifications**

70. CRAs should complete Template 18 [IT Notification & IT Sec Incident] in order to provide information on any IT or information security incidents that impact the operation of CRA's credit rating business under the CRA Regulation.
71. CRAs should submit an initial notification within 24 hours of becoming aware of the incident and submit a follow up notification within one month of the initial notification.

### **Item 39 - Sovereign Rating Calendar**

72. CRAs should submit to ESMA the calendar for sovereign rating actions for the forthcoming year that is published on the CRA's website in accordance with the CRA Regulation. In cases where a CRA deviates from the calendar and the CRA publishes an amended calendar on their website, the CRA should provide this updated calendar to ESMA with a detailed explanation of the reasons for the deviation.

### **Item 40 - Notification of New / Change to existing Methodology**

73. CRAs should complete Template 19 [Methodologies] in order to provide ESMA with information following the publication of any new methodology, or change to an existing methodology or underlying model. This template should be submitted after the completion of any consultation conducted in respect of Article 8(5a) of the CRA Regulation, and is without prejudice to CRA's ongoing obligations under Article 14(3) of the CRA Regulation.

### **Item 41 - Endorsed Credit Ratings**

74. CRAs should notify ESMA of the results of any internal review that was conducted by the CRA in accordance with Guideline 4.2 Line 17 of ESMA's Guidelines on the Application of the Endorsement regime. Such a notification should include an update on the appropriate steps taken by the CRA.

### **Item 42 - Internal Complaints submitted to the Compliance Department**

75. Following the receipt of a complaint within the scope of the CRA Regulation by its Compliance Department, CRAs should complete Template 2b [Internal Complaints ] to notify ESMA of the following information:
- A description of the content of the complaint;
  - The follow-up actions undertaken by the CRA;
  - Information on whether an internal investigation was opened as a consequence, including whether the investigation is ongoing or closed at the date of reporting; where the investigation has been closed, a copy of any consequent report made in respect of the investigation.

76. This notification should be provided in accordance with Section 5.3.3 of these Guidelines.

**Item 43 - Potential and actual cases of non-compliance with the CRA Regulation**

77. For reporting under this item, CRAs should complete Template 2c [Actual or Potential Breach] to provide information regarding possible cases that may result in non-compliance with any of the initial conditions for registration, including:

- A description of each case which may result in a possible non-compliance with the initial conditions for registration including cases resulting from activities performed by any control function;
  - A statement of the reasons why such case has arisen;
  - A statement of the actions undertaken by the CRA following the identification of the case concerned;
  - A statement of whether an internal investigation has been opened in relation to the case concerned and of whether such investigation is ongoing or closed; and where closed, furnish a copy of any consequent report made in respect of the investigation.

78. This notification should be provided in accordance with Section 5.3.3 of these Guidelines.

## 5.4 Reporting Calendars

Scheduled Returns under Calendar A				
	Return Name	Return Frequency	Reporting Deadline	Template Available
<b>Item</b>	<b>Governance</b>			
1	Board Documents	Quarterly	31 Jan, 30 April, 31 July, 31 Oct	N/A
2	INED Questionnaire	Annual	31 July	Template 1
3	Organisation Charts	Annual	31 July	N/A
4	Litigations	Semi-Annual	31 Jan, 31 July	N/A
5	New and Potential Conflicts of Interest	Annual	31 July	Template 2a
	<b>Ratings and Methodologies</b>			
6	Annual Review of Credit Ratings	Annual	31 July	Template 3
7	Semi-Annual Review of Sovereign Ratings	Annual	31 July	Template 4
8	Annual Review of Methodologies	Annual	31 July	Template 5
9	Resourcing: Analysts	Semi-Annual	31 Jan, 31 July	Template 6
10	Resourcing: Methodologies & Models	Semi-Annual	31 Jan, 31 July	Template 7
11	Objective Reasons	Annual	31 July	Template 8
	<b>Internal Controls</b>			
12	Compliance Work Plan	Annual	31 January	N/A
13	Internal Audit Work Plan	Annual	31 January	N/A
14	Compliance Assessments, Risk assessments and Internal Audit Reports	Semi-Annual	31 January, 31 July	N/A
15	Internal Control Monitoring Assessments	Semi-Annual	31 January, 31 July	Template 9
16	Attestation on Internal Controls	Annual	31 July	N/A
17	Business Continuity Plan	Annual	31 January	N/A
	Disaster Recovery Plan	Annual	31 January	
18	Risk Dashboard	Annual	31 January	N/A
	<b>Information Technology Reporting</b>			
19	IT Strategy	Annual	31 January	N/A
20	IT Book of Work: IT Programme and Projects	Semi-Annual	31 Jan, 31 July	Template 10
21	Staff Numbers and Other Indicators	Annual	31 July	Template 11
22	Revenues and Costs	Annual	31 May	Template 12
23	Active Internal Policies and Procedures	Annual	31 July	Template 13

Scheduled Returns under Calendar B				
Item	Return Name	Return Frequency	Reporting Deadline	Template Available
<b>Governance</b>				
1	Board Documents	Annual	31 July	N/A
2	INED Questionnaire	Bi-Annual	31 July	Template 1
3	Organisation Charts	Annual	31 July	N/A
4	Litigations	Annual	31 July	N/A
5	New and Potential Conflicts of Interest	Annual	31 July	Template 2a
<b>Ratings and Methodologies</b>				
6	Annual Review of Credit Ratings	Annual	31 July	Template 3
7	Semi-Annual Review of Sovereign Ratings	Annual	31 July	Template 4
8	Annual Review of Methodologies	Annual	31 July	Template 5
9	Resourcing: Analysts and Credit Ratings	Annual	31 July	Template 6
10	Resourcing: Methodologies and Models	Annual	31 July	Template 7
11	Objective Reasons	Annual	31 July	Template 8
<b>Internal Control</b>				
12	Compliance Work Plan	Bi-Annual	31 January	N/A
13	Internal Audit Work Plan	Bi-Annual	31 January	N/A
14	Compliance Assessments, Risk Assessments and Internal Audit Reports	Upon Demand	N/A	N/A
15	Internal Control Monitoring Assessments	Bi-Annual	31 July	Template 9
16	Attestation on Internal Controls	Upon Demand	N/A	N/A
17	Business Continuity Plan	Upon Demand	N/A	N/A
	Disaster Recovery Plan	Upon Demand	N/A	
18	Risk Dashboard	Upon Demand	N/A	N/A
<b>Information Technology Reporting</b>				
19	IT Strategy	Upon Demand	N/A	N/A
20	IT Book of Work: IT Programme and Projects	Bi-Annual	31 July	Template 10
<b>Financials, FTE &amp; Headcount</b>				
21	Staff Numbers and Other Indicators	Annual	31 July	Template 11
22	Revenues and Costs	Annual	31 May	Template 12
<b>Internal Policies and Procedures</b>				
23	Active Internal Policies and Procedures	Upon Demand	N/A	Template 13

<b>Ad-Hoc Reporting Requirements Applicable Calendar A and Calendar B</b>			
<b>Item</b>	<b>Return Name</b>	<b>Return Frequency</b>	<b>Template Available</b>
<b>Notification of Material Changes to Conditions of Registration</b>			
24	Opening and Closing of Branches	As soon as possible	N/A
25	Use of Endorsement	As soon as possible	N/A
26	Continuing Right to Exemptions	As soon as possible	N/A
27	Outsourcing Arrangements	As soon as possible	N/A
28	Legal Form	As soon as possible	N/A
29	Business Structure	As soon as possible	N/A
30	Type of Business Activities	As soon as possible	N/A
31	Ownership Structure	As soon as possible	N/A
32	Membership of the supervisory/administrative board	As soon as possible	Template 14
33	Compliance Function and Review Function	As soon as possible	N/A
34	Change to Procedures used to issue and review credit ratings	As soon as possible	N/A
35	Financial Resources	As soon as possible	N/A
36	IT Processes And Information Processing Systems	As soon as possible	Template 15, Template 16
<b>Other Notifications – Non-Material Changes</b>			
37	Identification of errors in methodologies/ model process	As soon as possible	Template 17
38	CRA Information security incidents notifications	As soon as possible	Template 18
39	Sovereign Rating Calendar	As soon as possible	N/A
40	Notification of New/Change to Methodology	As soon as possible	Template 19
41	Outcome of Endorsement Review	As soon as Possible	N/A
42	Internal Complaints Submitted to the Compliance Department	As soon as Possible	Template 2b
43	Potential and Actual Cases of Non-Compliance	As soon as Possible	Template 2c

## **Annex II - Reporting Instructions and Templates**

1. Concerning file transmission, each document under each reporting item and each reporting template should be included in a separate file that follows the naming convention defined below:
  - CRAXX\_TY\_ST\_PD\_ITEMXX\_YYYYMMDD.zip.
2. Where:
  - CRAXX: the 5-digit code assigned to the CRA to report to RADAR system;
  - TY (Type): “PR” (for periodic reporting) or “NT” (for ad-hoc notification);
  - ST (Status): “IN” (initial or on-off submission) or “FU” (follow-up related to a previous submission);
  - PD (Personal Data): “PD” (in case the document contains sensitive personal data) and “ND” (in case the document does not contain sensitive personal data);
  - ITEMXX: 5-digits item identifier as defined in these guidelines, e.g. “ITEM03”;
  - YYYYMMDD: submission deadline set in the Guidelines.
3. Within a single archive file, where a reporting template is required the CRA should follow the same naming convention as above, i.e.:
  - CRAXX\_TY\_ST\_PD\_ITEMXX\_YYYYMMDD.xlsx
4. Other files included in archive files, such as attachments to templates, can be provided with the original file name / type, as long as they are machine-readable as described above.

Template 1: INED Questionnaire

CRA NAME	OPINIONS (ANNEX 1, Section A, point 2 of the CRAR)	ANSWERS	NAME OF INED	DATE
[CRA Name]	(a) the development of the credit rating policy and of the methodologies used by the credit rating agency in its credit rating activities;	[INED Answer]	[Last_Name First_Name]	[DD-MM-YYYY]
	(b) the effectiveness of the internal quality control system of the credit rating agency in relation to credit rating activities;	[INED Answer]	[Last_Name First_Name]	[DD-MM-YYYY]
	(c) the effectiveness of measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated or managed and disclosed; and	[INED Answer]	[Last_Name First_Name]	[DD-MM-YYYY]
	(d) the compliance and governance processes, including the efficiency of the review function referred to in point 9 of this Section	[INED Answer]	[Last_Name First_Name]	[DD-MM-YYYY]

Template 2a: Conflicts of Interest

<b>ENTITY_NAME</b>	<i>[NAME OF LEGAL ENTITY]</i>	<i>[NAME OF LEGAL ENTITY]</i>
<b>TYPE</b>	<i>[INDICATE:, CONFLICT OF INTEREST]</i>	<i>[INDICATE:, CONFLICT OF INTEREST]</i>
<b>DISCOVERY_DATE</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>EVENT_DATE</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>DURATION</b>	<i>[No. Working Days]</i>	<i>[No. Working Days]</i>
<b>REGULATION_REFERENCE</b>	<i>[Article XX (x) of CRA REGULATION]</i>	<i>[Article XX (x) of CRA REGULATION]</i>
<b>FACTS (points a and b)</b>	<i>[DESCRIPTION OF BREACH]</i>	<i>[DESCRIPTION OF BREACH]</i>
<b>ACTIONS_TAKEN (points c and d)</b>	<i>[DESCRIPTION OF ACTIONS TAKEN TO RECTIFY]</i>	<i>[DESCRIPTION OF ACTIONS TAKEN TO RECTIFY]</i>
<b>CURRENT_STATUS</b>	<i>[OPEN/CLOSED]</i>	<i>[OPEN/CLOSED]</i>
<b>RELATED_DOCUMENT</b>	<i>[DOCUMENT NAME]</i>	<i>[DOCUMENT NAME]</i>

Template: 2b Internal Complaints

<b>ENTITY_NAME</b>	<i>[NAME OF LEGAL ENTITY]</i>	<i>[NAME OF LEGAL ENTITY]</i>
<b>TYPE</b>	<i>[INDICATE: INTERNAL COMPLAINT]</i>	<i>[INDICATE: INTERNAL COMPLAINT]</i>
<b>DISCOVERY_DATE</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>EVENT_DATE</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>DURATION</b>	<i>[No. Working Days]</i>	<i>[No. Working Days]</i>
<b>REGULATION_REFERENCE</b>	<i>[Article XX (x) of CRA REGULATION]</i>	<i>[Article XX (x) of CRA REGULATION]</i>
<b>FACTS (points a and b)</b>	<i>[DESCRIPTION OF BREACH]</i>	<i>[DESCRIPTION OF BREACH]</i>
<b>ACTIONS_TAKEN (points c and d)</b>	<i>[DESCRIPTION OF ACTIONS TAKEN TO RECTIFY]</i>	<i>[DESCRIPTION OF ACTIONS TAKEN TO RECTIFY]</i>
<b>CURRENT_STATUS</b>	<i>[OPEN/CLOSED]</i>	<i>[OPEN/CLOSED]</i>
<b>RELATED_DOCUMENT</b>	<i>[DOCUMENT NAME]</i>	<i>[DOCUMENT NAME]</i>

Template 2c: Actual or Potential Breach

<b>ENTITY_NAME</b>	<i>[NAME OF LEGAL ENTITY]</i>	<i>[NAME OF LEGAL ENTITY]</i>
<b>TYPE</b>	<i>[INDICATE: Potential / Actual Case of Non Compliance]</i>	<i>[INDICATE: Potential /Actual Case of Non Compliance]</i>
<b>DISCOVERY_DATE</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>EVENT_DATE</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>DURATION</b>	<i>[No. Working Days]</i>	<i>[No. Working Days]</i>
<b>REGULATION_REFERENCE</b>	<i>[Article XX (x) of CRA REGULATION]</i>	<i>[Article XX (x) of CRA REGULATION]</i>
<b>FACTS (points a and b)</b>	<i>[DESCRIPTION OF BREACH]</i>	<i>[DESCRIPTION OF BREACH]</i>
<b>ACTIONS_TAKEN (points c and d)</b>	<i>[DESCRIPTION OF ACTIONS TAKEN TO RECTIFY]</i>	<i>[DESCRIPTION OF ACTIONS TAKEN TO RECTIFY]</i>
<b>CURRENT_STATUS</b>	<i>[OPEN/CLOSED]</i>	<i>[OPEN/CLOSED]</i>
<b>RELATED_DOCUMENT</b>	<i>[DOCUMENT NAME]</i>	<i>[DOCUMENT NAME]</i>

Template 3: Annual Review Ratings

**Table 1 - Certify annual review**

CRA Name	Date of notification	Have all credit ratings due for an annual review been reviewed by your CRA?
[CRA Name]	[DD-MM-YYYY]	[Yes/No]

**Table 2 - If answer to field D4 is "No", provide a list of all credit ratings not reviewed**

CRA Name	Date of breach	Date of remediation	Credit rating name	Credit rating identified	Reason description
[CRA Name]	[DD-MM-YYYY]	[DD-MM-YYYY]	[Name of credit rating impacted]	[As per your CRAs RADAR reporting credit rating ID]	[Describe why given credit rating was not reviewed annually]
[CRA Name]	[DD-MM-YYYY]	[DD-MM-YYYY]	[Name of credit rating impacted]	[As per your CRAs RADAR reporting credit rating ID]	[Describe why given credit rating was not reviewed annually]
[CRA Name]	[DD-MM-YYYY]	[DD-MM-YYYY]	[Name of credit rating impacted]	[As per your CRAs RADAR reporting credit rating ID]	[Describe why given credit rating was not reviewed annually]

Template 4: Semi-Annual Review Sovereign Ratings

**Table 1 - Certify semi-annual review**

CRA Name	Date of notification	Have all sovereign credit ratings due for a semi-annual review been reviewed by your CRA?
[CRA Name]	[DD-MM-YYYY]	[Yes/No]

**Table 2 - If answer to field D4 is "No", provide a list of all credit ratings not reviewed**

CRA Name	Date of breach	Date of remediation	Credit rating name	Credit rating identified	Reason description
[CRA Name]	[DD-MM-YYYY]	[DD-MM-YYYY]	[Name of credit rating impacted]	[As per your CRAs RADAR reporting credit rating ID]	[Describe why given credit rating was not reviewed annually]
[CRA Name]	[DD-MM-YYYY]	[DD-MM-YYYY]	[Name of credit rating impacted]	[As per your CRAs RADAR reporting credit rating ID]	[Describe why given credit rating was not reviewed annually]

Template 5: Annual Review Methodologies

**Table 1 - Certify annual review**

CRA Name	Date of notification	Have all methodologies due for an annual review been reviewed by your CRA?
[CRA Name]	[DD-MM-YYYY]	[Yes/No]

**Table 2 - If answer to field D4 is "No", provide a list of all methodologies not reviewed**

CRA Name	Date of breach	Date of remediation	Methodology name	Reason description
[CRA Name]	[DD-MM-YYYY]	[DD-MM-YYYY]	[Name of credit rating impacted]	[Describe why given methodology was not reviewed annually]
[CRA Name]	[DD-MM-YYYY]	[DD-MM-YYYY]	[Name of credit rating impacted]	[Describe why given methodology was not reviewed annually]

Template 6: Resourcing: Credit Ratings and Analysts

<b>CRA Name</b>	<i>[CRA Name]</i>	<i>[CRA Name]</i>
<b>Date of notification</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>State as of</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>Business line</b>	<i>[SF, FIG, CORP, SOVPF etc.]</i>	<i>[SF, FIG, CORP, SOVPF etc.]</i>
<b>Number of analysts</b>	<i>[No of analysts]</i>	<i>[No of analysts]</i>
<b>Number of credit ratings</b>	<i>[No of credit ratings]</i>	<i>[No of credit ratings]</i>

Template 7: Resourcing: Methodologies and Models

<b>CRA Name</b>	<i>[CRA Name]</i>	<i>[CRA Name]</i>
<b>Date of notification</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>State as of</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>Review/ Validation</b>	<i>[Review/Validation]</i>	<i>[Review/Validation]</i>
<b>Methodology/ Model</b>	<i>[Methodology/Model]</i>	<i>[Methodology/Model]</i>
<b>Number of analysts/officers</b>	<i>[No. of analysts/officers]</i>	<i>[No. of analysts/officers]</i>
<b>Number of methodologies/models</b>	<i>[No. of credit methodologies/models]</i>	<i>[No. of credit methodologies/models]</i>

Template 8: Objective Reasons

<b>CRA NAME</b>	<i>[CRA Name]</i>	<i>[CRA Name]</i>
<b>LEI</b>	<i>[Legal Entity Identifier of Rated Entity]</i>	<i>[Legal Entity Identifier of Rated Entity]</i>
<b>INTERNAL ISSUER ID</b>	<i>[Internal ID assigned by CRA]</i>	<i>[Internal ID assigned by CRA]</i>
<b>ISIN</b>	<i>International Securities Identification Number assigned to Rated Entity]</i>	<i>International Securities Identification Number assigned to Rated Entity]</i>
<b>INTERNAL INSTRUMENT ID</b>	<i>[Internal ID assigned by CRA]</i>	<i>[Internal ID assigned by CRA]</i>
<b>LEGAL ENTITY NAME</b>	<i>[Name of Legal Entity]</i>	<i>[Name of Legal Entity]</i>
<b>RATING TYPE</b>	<i>[CORP, FIN, SFI, SOV]</i>	<i>[CORP, FIN, SFI, SOV]</i>
<b>LOCATION OF LEAD ANALYST</b>	<i>[Country ISO Code]</i>	<i>[Country ISO Code]</i>
<b>TYPE OF REASON</b>	<i>[ 21.b] [21.c] [21.d (1)] [21.d(2)] [21.d(3)] [Deviation (other objective reason)] [N.A (Rating to be Moved to EU27) N.A (Other)]</i>	<i>[ 21.b] [21.c] [21.d (1)] [21.d(2)] [21.d(3)] [Deviation (other objective reason)] [N.A (Rating to be Moved to EU27) N.A (Other)]</i>
<b>REASON EXPLANATION</b>	<i>[Reason for Elaboration outside EU]</i>	<i>[Reason for Elaboration outside EU]</i>

Template 9: Internal Control Monitoring: Compliance, Risk, Internal Audit and Third-Party Assessments

<b>Issue ID / Internal Reference</b>	<i>[INTERNAL ID REFERENCE]</i>	<i>[INTERNAL ID REFERENCE]</i>
<b>Type of assessment</b>	<i>[Compliance assessment, Internal Audits or Review, Other Third-Party Review]</i>	<i>[Compliance assessment, Internal Audits or Review, Other Third-Party Review]</i>
<b>Assessment Initiation</b>	<i>[ESMA or Own initiative]</i>	<i>[ESMA or Own initiative]</i>
<b>Initiation date</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>Function responsible for conducting the assessment</b>	<i>[ANALYTICAL] [INTERNAL REVIEW] [COMPLIANCE] [HR] [IT]</i>	<i>[ANALYTICAL] [INTERNAL REVIEW] [COMPLIANCE] [HR] [IT]</i>
<b>Short description of the scope of the assessment</b>	<i>[SHORT DESCRIPTION INCLUDING BUSINESS PROCESSES AFFECTED]</i>	<i>[SHORT DESCRIPTION INCLUDING BUSINESS PROCESSES AFFECTED]</i>
<b>Start Date</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>Completion Date of Assessment</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>Description of the finding</b>	<i>[PROVIDE A DESCRIPTION OF THE FINDING OF THE REVIEW]</i>	<i>[PROVIDE A DESCRIPTION OF THE FINDING OF THE REVIEW]</i>
<b>Remedial Actions identified</b>	<i>[Short Description of Remedial Actions to be Implemented]</i>	<i>[Short Description of Remedial Actions to be Implemented]</i>
<b>Action Owner (name and function of person responsible)</b>	<i>[Last_Name First_ Name]</i>	<i>[Last_Name First_ Name]</i>
<b>Remediation Status</b>	<i>[Open] [Closed]</i>	<i>[Open] [Closed]</i>
<b>If Open: Expected remediation date</b>	<i>DD-MM-YYYY</i>	<i>DD-MM-YYYY</i>
<b>If Closed: Actual remediation date</b>	<i>DD-MM-YYYY</i>	<i>DD-MM-YYYY</i>
<b>Additional Comments</b>	<i>[If remediation is delayed, please provide an overview of the reason for delay]</i>	<i>[If remediation is delayed, please provide an overview of the reason for delay]</i>

Template 10: IT Book of Work

<b>Internal Reference</b>		<i>[Internal Reference ID]</i>
<b>Project / Task Initiation</b>		<i>[Indicate: "ESMA" or "Own Initiative"]</i>
<b>Project / Task Request Date</b>		<i>[DD-MM-YYYY]</i>
<b>Project Objective</b>		<i>[Provide brief description of IT programme/project]</i>
<b>Project Description</b>		<i>[Provide detailed Description of Project] [Incl. summary of Technical Changes to be made]</i>
<b>Outsourced</b>		<i>[Yes/No] [If Yes indicate name of the company]</i>
<b>Total Effort (person-days)</b>		<i>[Estimate of total working days required]</i>
<b>Number of Persons Assigned (FTEs)</b>	Internal resources	<i>[Indicate number of internal Persons assigned]</i>
	Outsourced	<i>Indicate number of external persons assigned]</i>
<b>Start Date</b>		<i>[DD-MM-YYYY]</i>
<b>CRA Expected Completion Date</b>		<i>[DD-MM-YYYY]</i>
<b>Completion Date</b>		<i>[DD-MM-YYYY]</i>
<b>Ownership (name of person responsible)</b>		<i>[Last_name_First_name]</i>
<b>Current level of Completion</b>		<i>[description of current level of completion]</i>
<b>Additional Comments</b>		<i>[possible delays, risks, or issues identified etc.] [If not applicable: N/A]</i>

Template 11: Staff Numbers and Other Indicators

<b>CRA Name</b>		<i>[CRA Name]</i>
<b>Date of submission</b>		<i>[DD-MM-YYYY]</i>
<b>State as of</b>		<i>[DD-MM-YYYY]</i>
<b>Number of EU legal entities [If Group]</b>		<i>[1-9]</i>
<b>Number of branches of EU Legal Entities – Global (excl. EU)</b>		<i>[Global number of branches the CRA operates]</i>
<b>Number of branches – of EU legal Entities - EU</b>		<i>[EU number of branches the CRA operates]</i>
<b>Number of FTE - Global</b>	<b>TOTAL</b>	<i>[Number of FTE employed globally]</i>
	<b>Analytical</b>	<i>[Number of Analytical FTE employed globally]</i>
	<b>IT</b>	<i>[Number of IT FTE employed globally]</i>
	<b>Information Security</b>	<i>[Number of FTE with information security responsibilities employed in the EU]</i>
	<b>Compliance</b>	<i>[Number of Compliance FTE employed globally]</i>
	<b>Internal Audit</b>	<i>[Number of Audit FTE employed globally]</i>
	<b>Risk Management</b>	<i>[Number of Risk Management employed globally]</i>
<b>Number of FTE - EU</b>	<b>TOTAL</b>	<i>[Number of FTE employed in the EU]</i>
	<b>Analytical</b>	<i>[Number of Analytical FTE employed in the EU]</i>
	<b>IT</b>	<i>[Number of IT FTE employed in the EU]</i>
	<b>Information Security</b>	<i>[Number of FTE with information security responsibilities employed in the EU]</i>
	<b>Compliance</b>	<i>[Number of Compliance FTE employed in the EU]</i>
	<b>Internal Audit</b>	<i>[Number of Audit FTE employed in the EU]</i>
	<b>Risk Management</b>	<i>[Number of Risk Management globally]</i>
<b>Number of key IT rating applications</b>	<b>TOTAL</b>	<i>[Number of IT rating applications]</i>
	<b>Rating process</b>	<i>[Number of IT applications supporting the Rating process (rating preparation, production and review, dissemination)]</i>
	<b>Methodology development, validation and review</b>	<i>[Number of IT applications supporting the Methodology development, validation and review]</i>
	<b>Commercial and Business Development process</b>	<i>[Number of IT applications supporting the Commercial and Business Development process]</i>
<b>Number of key IT projects</b>	<b>TOTAL</b>	<i>[Number of on-going IT programmes / projects]</i>
	<b>Rating process</b>	<i>[Number projects regarding the development of applications / systems for the Rating process (rating preparation, production and review, dissemination)]</i>
	<b>Methodology development, validation and review</b>	<i>[Number of on-going projects regarding the development of applications / systems for the Methodology development, validation and review]</i>
	<b>Commercial and Business Development process</b>	<i>[Number of on-going projects regarding the development of applications / systems for Commercial and Business Development process]</i>

## Template 12: Financials

<b>Parent company</b>	<i>[NAME OF PARENT COMPANY]</i>	<i>[NAME OF PARENT COMPANY]</i>
<b>Subsidiary</b>	<i>[NAME OF SUBSIDIARY]</i>	<i>[NAME OF SUBSIDIARY]</i>
<b>Country of subsidiary</b>	<i>[COUNTRY OF SUBSIDIARY]</i>	<i>[COUNTRY OF SUBSIDIARY]</i>
<b>Year</b>	<i>[YYYY]</i>	<i>[YYYY]</i>
<b>Type</b>	<i>[COST/REVENUE]</i>	<i>[COST/REVENUE]</i>
<b>Activity</b>	<i>[CREDIT RATING/OTHER]</i>	<i>[CREDIT RATING/OTHER]</i>
<b>Asset class</b>	<i>[Corp Non-Fin, Corp-Fin, Corp-Ins, SovPF, SF, CovBond] [N/A for Other]</i>	<i>[ Corp Non-Fin, Corp-Fin, Corp-Ins, SovPF, SF, CovBond] [n/a for Ancillary Service]</i>
<b>Description of other product / service</b>	<i>[Short Description of other product or Service]</i>	<i>[ Short Description of other product or Service]</i>
<b>Cost type</b>	<i>[COMPENSATION/COMPENSATION]</i> <i>NON-</i>	<i>COMPENSATION/ NON-COMPENSATION]</i>
<b>Currency</b>	<i>[EUR/USD/GBP]</i>	<i>[EUR/USD/GBP]</i>
<b>Amount</b>	<i>[0-9]</i>	<i>[0-9]</i>

Template 13: Policies and Procedures

<b>ENTITY_NAME</b>	<i>[CRA NAME]</i>	<i>[CRA NAME]</i>
<b>POLICY_NAME</b>	<i>[NAME OF POLICY / PROCEDURE]</i>	<i>[NAME OF POLICY / PROCEDURE]</i>
<b>POLICY_DESCRIPTION</b>	<i>[DESCRIPTION OF POLICY]</i>	<i>[DESCRIPTION OF POLICY]</i>
<b>INTERNAL_ID</b>	<i>[INTERNAL ID ASSIGNED TO POLICY / PROCEDURE]</i>	<i>[INTERNAL ID ASSIGNED TO POLICY / PROCEDURE]</i>
<b>VERSION</b>	<i>[VERSION NUMBER OF DOCUMENT]</i>	<i>[VERSION NUMBER OF DOCUMENT]</i>
<b>CHANGE</b>	<i>[YES] / [NO]</i>	<i>[YES] / [NO]</i>
<b>CHANGE_RATIONALE</b>	<i>[DESCRIPTION OF REASONS FOR CHANGE TO POLICY / PROCEDURE]</i>	<i>[DESCRIPTION OF REASONS FOR CHANGE TO POLICY / PROCEDURE]</i>
<b>RELATED_FILENAME</b>	<i>[NAME OF FILE]</i>	<i>[NAME OF FILE]</i>

Template 14: Board Member Details

<b>CRA Name</b>	<i>[CRA NAME]</i>	<i>[CRA NAME]</i>
<b>Legal Entity</b>	<i>[NAME OF LEGAL ENTITY]</i>	<i>[NAME OF LEGAL ENTITY]</i>
<b>Board Member name</b>	<i>[Last_Name First_Name]</i>	<i>[Last_Name First_Name]</i>
<b>Area of expertise</b>	<i>[DESCRIPTION OF AREAS OF EXPERTISE]</i>	<i>[DESCRIPTION OF AREAS OF EXPERTISE]</i>
<b>INED (Y/N)</b>	<i>[YES / NO]</i>	<i>[YES / NO]</i>
<b>Short biography</b>	<i>[DESCRIPTION OF PROFESSIONAL EXPERIENCE]</i>	<i>[DESCRIPTION OF PROFESSIONAL EXPERIENCE]</i>
<b>Memberships in other entities</b>	<i>[LIST OF EXECUTIVE AND NON-EXECUTIVE POSITIONS]</i>	<i>[LIST OF EXECUTIVE AND NON-EXECUTIVE POSITIONS]</i>
<b>Date of appointment</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>Date of termination</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>

Template 15: IT Technology Summary

PROCESS		APPLICATION(S) USED		INFRASTRUCTURE			DATASETS
		<i>Operating System</i>	<i>DBMS</i>	<i>Middleware</i>	<i>Servers - Hardware</i>		
<b>A</b>	<b><i>Rating Process</i></b>						
A1	Preparation of RC, RC package etc.						
A2	Rating production and review						
A3	Dissemination and disclosure						
<b>B</b>	<b><i>Methodology / model development, validation and review</i></b>						
<b>C</b>	<b><i>Commercial / Business Development</i></b>						
<b>D</b>	<b><i>IT process supporting the above</i></b>						

Template 16: IT Notification Cloud Computing

<b>CRA Name</b>	<i>[NAME OF REPORTING CRA]</i>	
<b>Name of the cloud service provider, name of the parent company (if any)</b>	<i>[REGISTERED COMPANY NAME]</i>	
<b>Service commencement date</b>	<i>[DD-MM-YYYY]</i>	
<b>Last contract renewal date (where applicable)</b>	<i>[DD-MM-YYYY]</i>	
<b>Service expiry or upcoming contract renewal date</b>	<i>[DD-MM-YYYY]</i>	
<b>Country where the service is performed</b>	<i>[Country Name]</i>	
<b>The applicable law governing the contract</b>	<i>[Applicable Country Law]</i>	
<b>Approval for outsourcing to CSPs or use of cloud computing services by the governing body</b>	<i>Please provide the approval for outsourcing to CSPs or use of cloud computing services by the governing body or the committee designated by it, and include a reference to the submitted document(s) in the following field:</i>	<i>[INCLUDE REFERENCE TO INTERNAL APPROVAL DOCUMENT]</i>

<b>Approval for outsourcing to CSPs<sup>14</sup> or use of cloud computing services by the governing body</b>	<b>Ex-ante risk assessment (prior to the decision to outsource to CSPs or use of cloud computing services)</b>	<b>Please select the deployment and service models per key CRA business process and add other processes.</b>					
<i>Please provide the approval for outsourcing to CSPs or use of cloud computing services by the governing body or the committee designated by it, and include a</i>	Have you performed a risk assessment prior to the decision to outsource to CSPs or use of cloud computing services?	<i>For each row, i.e. key CRA business process, you need to indicate the cloud computing deployment and service models. You may select more than one option. If none of these apply to your implementation, please indicate 'Other'. In addition, if you would like to specify additional key business process that are not included in the list, please select "Other" in the column.</i>					
		<i>IaaS<sup>15</sup></i>	<i>PaaS<sup>16</sup></i>	<i>SaaS<sup>17</sup></i>	<i>Public<sup>18</sup></i>	<i>Private<sup>19</sup></i>	<i>Other (Please specify)</i>

<sup>14</sup> Cloud Service Providers. Party which makes cloud services available.

<sup>15</sup> Infrastructure as a Service: Cloud service category in which the cloud capabilities type provided to the cloud service customer is an infrastructure capabilities type.

<sup>16</sup> Platform as a Service: Cloud service category in which the cloud capabilities type provided to the cloud service customer is a platform capabilities type.

<sup>17</sup> Software as a Service: Cloud service category in which the cloud capabilities type provided to the cloud service customer is an application capabilities type.

<sup>18</sup> Cloud deployment model where cloud services are potentially available to any cloud service customer and resources are controlled by the cloud service provider.

<sup>19</sup> Cloud deployment model where cloud services are used exclusively by a single cloud service customer and resources are controlled by that cloud service customer.

<i>reference to the submitted document(s) in the field below.</i>	Delete as appropriate: [Yes] / [No]	1. Rating process: preparation, rating production and review, rating dissemination						
		2. Methodology / model development, validation and review						
	<i>If yes, please provide the following (a)(b)(c)</i>	3. Commercial process						
	<i>Date of the risk assessment: [DDMMYY]</i>	4. IT process						
[INSERT TEXT]	<i>(b) The risk assessment report and include a reference to the submitted document(s) in the field below.</i>	5. Other supporting process (e.g. HR etc.)						
	[INSERT TEXT]	6. Other (please specify)						
	<i>(c) Any action plan following the risk assessment report and include a reference to the submitted document(s) in the field below.</i>							
	[INSERT TEXT]							

<p><b>Type of data that will be held in the cloud. Please tick all the data types that apply and specify any other types (e.g. personal data).</b></p> <p><i>For each row, i.e. type of data, you need to indicate the deployment and service model of your outsourced cloud computing service, where it is stored and processed. You may select more than one option. If none of these apply to your implementation, please indicate 'Other'. In addition, if you would like to specify additional types of data that are not included in the list, please select 'Other'. Respective section of the survey.</i></p>						<p><b>Network and data flow diagrams</b></p>
	Public Cloud	Private Cloud	Private In-house	Other (please specify)	Data location (region and country, include also for back-up and Disaster Recovery sites)	
1. Regulatory public disclosure data, e.g. press releases, published methodologies, codes of conduct, etc.						<p><i>Please provide the network and data flow diagrams depicting of the new cloud computing implementation, and include a reference to the submitted document(s) in the field below.</i></p>
2. Non-public data used in rating production or review, any unstructured data e.g. from data service providers						
3. Non-public, confidential credit rating data, e.g. rating committee material and opinions						
4. Public rating data, e.g. disseminated via the website						
5. Methodologies, criteria, model data and documentation, e.g. data used for methodology / model development and validation, etc.						
6. Confidential compliance and internal audit related data, e.g. compliance and audit reports, working documents, non-public regulatory disclosures, etc.						
7. Policies and procedures						
8. Commercial / business development data						
9. Corporate emails and other corporate messaging data						
10. Other, e.g. personal data (please specify)						

Template 17: Error Full

<b>To be reported as Full Notification</b>	<b>CRA Name</b>	<i>[CRA Name]</i>	<i>[CRA Name]</i>
	<b>Date of notification to ESMA</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
	<b>Error notification ID</b>	<i>[CRA Name_Date of notification to ESMA_]</i>	<i>[CRA Name_Date of notification to ESMA]</i>
	<b>Date of error occurring</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
	<b>Date of error identification</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
	<b>Date of error resolution</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
	<b>Error type</b>	<i>[a. Analytical error, b. model error, c. methodology error, d. other]</i>	<i>[a. Analytical error, b. model error, c. methodology error, d. other]</i>
	<b>Error impact</b>	<i>[, describe actual impact the error had]</i>	<i>[, describe actual impact the error had]</i>
	<b>Error description</b>	<i>[Error description]</i>	<i>[Error description]</i>
	<b>Error root cause</b>	<i>[Detailed root cause of the error]</i>	<i>[Detailed root cause of the error]</i>
	<b>Steps taken by your CRA to avoid similar errors from reoccurring</b>	<i>[Describe steps taken by your CRA to avoid similar errors from reoccurring]</i>	<i>[Describe steps taken by your CRA to avoid similar errors from reoccurring]</i>
	<b>Error status</b>	<i>[Open/Closed/On-going]</i>	<i>[Open/Closed/On-going]</i>
	<b>Comments</b>	<i>[Free text]</i>	<i>[Free text]</i>

Template 18: [IT Notifications] IT and Info Sec Incidents

<b>CRA</b>	<i>[NAME OF CRA]</i>	<i>[NAME OF CRA]</i>
<b>Date of CRA notification</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
<b>Means of notifying ESMA</b>	<i>[IF OTHER THAN THIS TEMPLATE]</i>	<i>[IF OTHER THAN THIS TEMPLATE]</i>
<b>CRA internal incident number (if available)</b>	<i>[CRA Internal Reference Number]</i>	<i>[CRA Internal Reference Number]</i>
<b>Incident description: <i>timeline of events that occurred</i></b>	<i>[BRIEF DESCRIPTION OF IT INCIDENT incl. timeline of events]</i>	<i>[BRIEF DESCRIPTION OF IT INCIDENT incl. timeline of events]</i>
<b>Root Cause</b>	<i>[CAUSE OF INCIDENT]</i>	<i>[CAUSE OF INCIDENT]</i>

<b>Incident Type/Category</b>		<p>Please indicate all that apply:  (a) information integrity and availability;  (b) human errors;  (c) non-compliance with policies or guidelines;  (d) physical security arrangements;  (e) unauthorised or inappropriate system changes;  (f) malfunctions of software or hardware;  (g) inadequate or ineffective system configuration;  (h) unauthorised access, access control failures;  (i) Other: please specify</p> <p>Use the letters from (a) to (i).</p>	<p>Please indicate all that apply:  (a) information integrity and availability;  (b) human errors;  (c) non-compliance with policies or guidelines;  (d) physical security arrangements;  (e) unauthorised or inappropriate system changes;  (f) malfunctions of software or hardware;  (g) inadequate or ineffective system configuration;  (h) unauthorised access, access control failures;  (i) Other: please specify</p> <p>Use the letters from (a) to (i).</p>
<b>IT systems involved / impacted (including applications and IT infrastructure)</b>		[NAME OF IT SYSTEMS INVOLVED] [NAME OF IT APPLICATIONS AND IT INFRASTRUCTURE INVOLVED]	[NAME OF IT SYSTEMS INVOLVED] [NAME OF IT APPLICATIONS AND IT INFRASTRUCTURE INVOLVED]
<b>Incident impact on</b>	Confidentiality, Integrity, Availability of the rating information and the rating process, methodology development, validation and review, commercial and business development process, other relevant process	[SELECT AS APPROPRIATE AND BRIEFLY EXPLAIN]	[SELECT AS APPROPRIATE AND BRIEFLY EXPLAIN]
	impact on issuers and / or investors	[SELECT AS APPROPRIATE AND BRIEFLY EXPLAIN]	[SELECT AS APPROPRIATE AND BRIEFLY EXPLAIN]
	the quality of the data submitted to ESMA	[SELECT AS APPROPRIATE AND BRIEFLY EXPLAIN]	[SELECT AS APPROPRIATE AND BRIEFLY EXPLAIN]
<b>How was incident identified /detected</b>		[DESCRIPTION OF HOW INCIDENT IDENTIFIED]	[DESCRIPTION OF HOW INCIDENT IDENTIFIED]
<b>Date of Occurrence</b>		[DD-MM-YYYY]	[DD-MM-YYYY]
<b>Time of Occurrence (optional)</b>		[24-HOUR-UTC]	[24-HOUR-UTC]
<b>Date of Discovery</b>		[DD-MM-YYYY]	[DD-MM-YYYY]
<b>Time of Discovery (Optional)</b>		[24-HOUR-UTC]	[24-HOUR-UTC]
<b>Date of Recovery/ Resolution</b>		[DD-MM-YYYY]	[DD-MM-YYYY]
<b>Time of Recovery/ Resolution</b>		[24-HOUR-UTC]	[24-HOUR-UTC]
<b>Notifications made to other parties involved (including regulators and supervisors)</b>		[LIST OF PARTIES MADE AWARE OF IT INCIDENT] [INCL. OTHER REGULATORS]	[LIST OF PARTIES MADE AWARE OF IT INCIDENT] [INCL. OTHER REGULATORS]
<b>Incident Status (closed or open / on-going)</b>		[OPEN/CLOSED/ ONGOING]	[OPEN/CLOSED/ ONGOING]
<b>Solution</b>	Temporary	[SELECT AS APPROPRIATE]	[SELECT AS APPROPRIATE]
	Permanent	[SELECT AS APPROPRIATE]	[SELECT AS APPROPRIATE]
<b>Comments</b>		[ANY FURTHER COMMENTS]	[ANY FURTHER COMMENTS]

Template 19: Methodologies

<b>CRAR Regulatory Notification</b>	<b>CRA Name</b>	<i>[CRA Name]</i>	<i>[CRA Name]</i>
	<b>Date of notification</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
	<b>Date of new/revised methodology application</b>	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
	<b>Credit rating methodology name</b>	<i>[Name of credit rating methodology]</i>	<i>[Name of credit rating methodology]</i>
	<b>New/Revised</b>	<i>[New = If methodology is new; Revised = If existing methodology has been revised]</i>	<i>[New = If methodology is new; Revised = If existing methodology has been revised]</i>
	<b>Description</b>	<i>[Description of a methodology]</i>	<i>[Description of a methodology]</i>
	<b>Impact</b>	<i>[If "New/Revised" = "New", indicate number of ratings the methodology is expected to be used to assign. If "New/Revised"="Revised", indicate the number of credit ratings changes the revision of the methodology is expected to trigger]</i>	<i>[If "New/Revised" = "New", indicate number of ratings the methodology is expected to be used to assign. If "New/Revised"="Revised", indicate the number of credit ratings changes the revision of the methodology is expected to trigger]</i>
	<b>Change type</b>	<i>[a. credit rating factors, b. credit rating assumptions, c. models, d. other]</i>	<i>[a. credit rating factors, b. credit rating assumptions, c. models, d. other]</i>
	<b>Description of a change</b>	<i>[Describe change in a methodology]</i>	<i>[Describe change in a methodology]</i>
<b>ECAI Mapping Monitoring</b>	<b>Do any of the criteria below apply?</b>	<i>[List any of the following: a. Changes in rating scale (these include removal of existing scales, amendments of existing scales including the meaning of rating categories, or introduction of new scales), b. Entrance in the solicited/unsolicited business for some of CRA existing rating types, c. Introduction of new types of ratings clarifying which solicitation status they have (e.g. corporate, unsolicited), d. Introduction of new credit ratings (e.g. bank deposit ratings), e. Material changes in the methodology (e.g. regarding base assumptions or underlying models) that would motivate a significant shift in the default rate behaviour of the rating categories. Please include changes in the definition of default and in the time horizon of the credit assessment.]</i>	<i>[List any of the following: a. Changes in rating scale (these include removal of existing scales, amendments of existing scales including the meaning of rating categories, or introduction of new scales), b. Entrance in the solicited/unsolicited business for some of CRA existing rating types, c. Introduction of new types of ratings clarifying which solicitation status they have (e.g. corporate, unsolicited), d. Introduction of new credit ratings (e.g. bank deposit ratings), e. Material changes in the methodology (e.g. regarding base assumptions or underlying models) that would motivate a significant shift in the default rate behaviour of the rating categories. Please include changes in the definition of default and in the time horizon of the credit assessment.]</i>
	<b>Detailed explanation</b>	<i>[Provide additional explanations as to which changes take place in relation to ECAI]</i>	<i>[Provide additional explanations as to which changes take place in relation to ECAI]</i>



## Annex II Cost Benefit Analysis

### Background

1. These guidelines propose to update and revise ESMA's 2015 *Guidelines On Periodic Information to be submitted to ESMA by CRAs*. The information required under the 2015 Guidelines aimed to inform and enable ESMA's supervisory and risk framework. Among other supervisory tasks, the information received under these Guidelines enables ESMA to identify where and when thematic investigations may be necessary, or where remedial actions may need to be taken by CRAs to ensure a consistent application of the Regulation.
2. The purpose of these guidelines is to update the 2015 Guidelines to ensure that they are better aligned with ESMA's supervisory processes and to ensure that the information ESMA receives remains relevant and timely. The revised Guidelines also aim to clarify and streamline the reporting instructions for existing requirements, inter alia, by providing reporting templates. The key proposed changes presented in this CP are the following:
  - (a) clarification of key aspects and concepts in the existing requirements and standardised templates for a number of reporting areas;
  - (b) refined reporting frequencies;
  - (c) a new basis for determining a CRA's reporting requirements; and
  - (d) additional requirements where ESMA has identified information gaps.

### Impact of the Guidelines

3. The following section sets out the key expected impacts of the changes proposed in the revised guidelines. The section is structured along to the four key changes listed above.
4. **Clarification of key aspects and concepts in the existing requirements and standardised templates for a number of reporting areas:** In the proposed revised Guidelines, ESMA provides a number of templates to ease the reporting process and ensure the usability and consistency of the information received by ESMA. Of the 43 information items set out in the proposed revised Guidelines, almost half will be reportable using a standardised template. ESMA expects that the proposed clarifications and templates will contribute to *lowering* the compliance cost for CRAs. By ensuring clarity regarding the expected information which ESMA requires and by providing reporting templates, ESMA allows for a streamlining in the reported information. While there may be some initial costs to CRAs of establishing procedures and adapting to the templates, ESMA expects that these costs, over time, will be compensated for by reducing the time spent responding to follow up requests for information from ESMA as a result of the submission of incomplete or partial information, in addition it should save time by enabling CRAs to introduce greater clarity internally as to what ESMA requires to be reported under each heading.

5. Some existing items, i.e. self-reported breaches of regulation, IT strategy, IT programme and IT projects, have been modified in scope and in some cases allocated a specific reporting template. In no instance, does ESMA expect that the modifications in scope will lead to significant additional costs for CRAs.
6. **Refined reporting frequencies:** With the exception of two items, the proposed new reporting frequencies for existing items are either unchanged or reduced, the exceptions being board packs and internal complaints submitted to the compliance function. With the proposed revised guidelines, ESMA expects board packs to be reported more frequently by " CRAs who report according to Calendar A whereas " CRAs who report according to Calendar B will benefit from a reduced frequency thereby achieving a more proportionate overall outcome. Even for CRAs who report according to Calendar A. However, ESMA does not expect that the reporting frequency of this item will add additional cost since the information to be provided is produced by the CRAs independently of ESMA's reporting requirement.
7. In addition, ESMA asks in the proposed revised guidelines that complaints reported to the compliance function are reported to ESMA as soon as possible rather than on a quarterly basis. ESMA does not expect that to lead to additional costs for CRAs.
8. **New basis for determining a CRA's reporting requirements:** Whereas the reporting requirements of CRAs are currently mechanistically determined by the turnover of the CRA, the proposed revised guidelines aim to align the reporting requirements of CRAs with ESMA's risk-based approach to supervision. This will allow ESMA to adjust the reporting categorisation of an individual CRA in response to changes in ESMA's assessment of that CRA. CRAs, which are very large will likely keep reporting according to "Calendar A" and thus not face any change. While less likely, some small and medium-sized CRAs may, under the new approach, also be assessed by ESMA to represent a high risk and thus be required to report more frequently. Were this to occur, it might result in additional costs to higher risk small CRAs. However, ESMA believes such additional costs would be justified in the interests of safeguarding investors and ensuring orderly markets.
9. **Additional requirements where ESMA has identified information gaps:** While most of the existing reporting items remain unchanged in the proposed revised guidelines, some new items have been added. Most of the new items – i.e. objective reasons, endorsed credit ratings, a full list of internal policies and procedures, INED questionnaires, Semi-Annual review of Sovereign Ratings, Sovereign Rating Calendar, change to Methodologies and identified errors in methodologies – refer to information which CRAs are already required to either publish, report to ESMA, or document and present to ESMA upon request. For these items, ESMA expects that the standardised format and reporting frequency provided with the proposed revised guidelines constitutes a less burdensome approach than ad-hoc request at different intervals. Other new items, such as the annual review of credit ratings and methodologies and attestation on internal controls, merely constitute regular written confirmation that the CRA is meeting specific requirements in the Regulation and, as such, are not expected to generate any additional cost for CRAs.

10. The remaining items are resource planning and monitoring of analysts and methodologies, and the risk dashboard. The risk dashboard is only required for CRAs who report according to Calendar A, which are already expected to have such a tool in place as they should be larger CRAs. Similarly, CRAs are expected to be collecting the information regarding resource planning and monitoring of analysts and methodologies CRAs already. Finally, as a new item and in order to address emerging risks in the area of IT, CRAs are expected to inform ESMA of information security incidents notifications using a fixed template. Overall, these three items might require some initial adaption for CRAs but are not expected to generate any long-term additional cost-burden beyond that.

## CBA

11. The following table summarises the potential costs and benefits resulting from the implementation of these Guidelines.

<b>Policy objective</b>	To ensure consistency and proportionality in the information which CRAs periodically report to ESMA. To standardise the format in which the information is reported. To calibrate the frequency of reporting in accordance with CRAs' risk profiles. To add additional items to be reported which ESMA has identified as necessary.
<b>Technical proposal</b>	To provide calendars for reporting to ESMA and templates which CRAs can use to ensure the necessary information is included. To change differentiation of CRAs' reporting burden from large/small to "Calendar A/Calendar B".
<i>Benefits</i>	ESMA expects that these Guidelines will benefit EU CRAs by: <ul style="list-style-type: none"> <li>- Providing easy-to-use templates and calendars facilitating automatic reporting systems.</li> <li>- Lowering overall the frequency of reporting of several items.</li> <li>- Providing additional clarity about the information which is expected from CRAs.</li> <li>- Allowing ESMA's supervisory activities to be more targeted on areas and entities of higher risks.</li> </ul>
<i>Costs for CRAs</i>	Costs for CRAs are expected to be limited and concentrated in the initial implementation phase. Over time, the Guidelines are expected to reduce reporting costs for CRAs.

<p><i>Initial Costs</i></p>	<p>CRAs will face an initial cost of adapting its reporting processes and procedures to the new instructions. Specifically, CRAs may face initial costs in establishing procedures for the few reporting items which are new and for which the CRA is not already under an explicit instruction to produce.</p>
<p><i>Ongoing Costs</i></p>	<p>The updated Guidelines are expected to result in a decrease of CRAs ongoing costs. First, reporting frequency will overall go down. Second, by ensuring that ESMA gets timely and comprehensive information, ad-hoc requests for information from ESMA can be expected to go down. Finally, templates and more detailed reporting instructions are expected to facilitate automated reporting of most items.</p>
<p><b>Costs for ESMA</b></p>	<p>ESMA will face an initial cost of adapting its IT-system and procedures to the new reporting instructions. ESMA may also face initial costs in responding to questions from CRAs on the implementation of the instructions.</p> <p>However, these costs are expected to be fully compensated over time. By ensuring regular reporting of consistent information, ESMA be able to reallocate resources to areas of risk.</p>