

Chapter 4

Commission Delegated Regulation (EU) No 449/2012

ANNEX VII ISSUANCE AND REVIEW OF
CREDIT RATINGS (Articles 16, 17 and 18)

(1) The information regarding the policies and procedures referred to in Article 16(2) (a) regarding the development, validation and review of the CRA's rating methodologies shall include:

(a) the responsibilities and process for rating methodology development and sign off, including details on the composition of the rating methodology committees and the procedures for members' selection;

(b) the responsibilities and process for rating methodology, including:

(i) the verification and validation of a rating methodology;

(ii) the validation of the rating methodology based on historical data, including how the results of the back-testing are taken into account. In addition, the credit rating agency shall also include the results of such validation/back-testing for the past three years, where quantitative data is available;

(iii) the reporting of the outcome of the rating methodology review; and

(iv) the implementation of a change in methodology, model or key rating assumptions.

(2) The information regarding the policies and procedures referred to in Article 17(1)(c) regarding the issuance of credit ratings shall include:

(a) the sequence of steps followed for the production of ratings; the process for reviewing the documentation of issuers or securities to be rated. This shall include any benchmark used to facilitate the review;

(b) an assessment of the minimum information requirements to initiate and maintain a rating, including both public and non-public information;

(c) the controls mechanisms for the issuance of credit ratings, including the involvement of the issuer/arranger/investor/servicer within this process;

(d) the process for collation, analysis and assessment of the information used to determine a rating, including, where applicable, reliance on analysis by another credit rating agency or other third parties;

(e) the role and responsibilities of rating analysts, as well as the process and procedures for their selection on specific securities;

(f) the rating approval process, including the identification of the role and responsibilities of the persons approving the ratings as well as the process and procedures for their selection;

(g) where a credit rating agency has established rating committees, the role and responsibilities of rating committee chairs, as well as the skills required and the process and procedures for their nomination; and

(h) the minimum qualifications of the persons involved in the rating decision.

(3) The information regarding the policies and procedures referred to in Article 17(1)(e) regarding the disclosure of a rating decision shall include the following:

(a) the process for notifying the rated entity of the principal grounds on which the rating is based at least 12 hours before publication of the credit rating;

(b) a rating appeal process, if a credit rating agency has implemented it; and

(c) the processes for determining which key elements underlying the credit rating shall be included in the press release or reports.

(4) The information regarding the policies and procedures referred to in Article 18(a) regarding the monitoring of ratings shall include:

(a) the monitoring process, including the role and responsibilities of rating committees, where applicable, and a description of the rating approval processes;

(b) the role and responsibilities of rating analysts;

(c) the process for collation, analysis and assessment of the information used to monitor a rating, including, where applicable, reliance on analysis by another credit rating agency or other third parties;

(d) the process, including the overview of the factors considered, and the responsibilities for deciding when a rating should be formally reviewed, including rating actions;

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(e) the process and the responsibilities for deciding when a rating should be formally suspended or withdrawn;

(f) the processes and controls with respect to credit rating reviews required by paragraphs (a) to (c) of Article 8(6) of Regulation (EC) No 1060/2009; and

(g) the policies, procedures and controls for the involvement of the issuer or arranger within the process.