



European Securities and
Markets Authority

Consultation Paper

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



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Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex I. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by 24 September 2018.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

The collection of confidential responses is without prejudice to the scope of Regulation (EC) No 1049/2001. Possible requests for access to documents will be dealt in compliance with the requirements and obligations laid down in Regulation (EC) No 1049/2001.

Data protection

Information on data protection can be found at <https://www.esma.europa.eu/data-protection> under the heading Data Protection.

Who should read this paper

This paper may be of interest to users of credit ratings, credit rating agencies and entities interested in applying to be a registered CRA.

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 March 2015, ESMA published its Guidelines on the periodic information to be submitted to ESMA by credit rating agencies. These Guidelines form the basis of ESMA's supervisory activities by specifying the type of information ESMA needs to receive from CRAs in order to enable ESMA to carry out its supervisory tasks. After almost three years of experience implementing the current Guidelines, ESMA has identified a number of areas that need to be updated in order to ensure they are implemented by CRAs in a way that supports ESMA's ongoing supervision. This includes improving the frequency and quality of the data submitted, as well as streamlining the means of providing it. This Consultation Paper is the first step towards publishing a revised version of the Guidelines. The main features of the proposed revised Guidelines involve the following proposals:

- Establishing reporting categorisations for CRAs;
- Establishing reporting calendars based on reporting categorisation;
- Standardising reporting templates;
- Providing additional reporting instructions in areas where ESMA has identified a supervisory need.

Contents

Section 2 this Paper explains ESMA's overarching rationale for updating the Guidelines, providing an overview of the main areas of revision and the reasons for any change in approach. **Section 3** of this paper explains how and why ESMA has introduced different reporting categorisations for reporting under the new Guidelines. Section 3 also explains the proposed reporting frequencies and periods applicable to the different entities and provides an overview of the expected Reporting and Supervisory work flows on a quarter by quarter basis. **Section 4** of this paper sets out the proposed revised reporting requirements to both categories of CRAs. **Section 5** introduces the reporting templates that are proposed within Annex II. **Section 6** provides a comparative view of the different reporting frequencies and submission deadlines applicable to the different categories of entities. While **Section 7** sets out the reporting calendars for scheduled and as soon as reporting requirements. **Section 8** sets out how these Guidelines will be implemented by ESMA. **Annex I** provides the proposed revised Guidelines in their entirety, **Annex II** provides the proposed reporting templates that accompany the Guidelines, **Annex III** provides the Cost Benefit Analysis while **Annex IV** provides the Questions.



Next steps

The consultation will be open for 10 weeks from the date of publication. ESMA will consider the feedback it receives to the consultation with a view to finalising the proposed revised guidelines and publishing a final report in Q4 2018.

2 Introduction

Rationale for revising the Guidelines

1. The purpose of this Consultation Paper is to propose a revision to ESMA's Guidelines on the Periodic Information to be submitted by CRAs to ESMA (the 2015 Guidelines). These Guidelines were introduced in 2015 and helped establish the regular supply of information necessary for ESMA to carry out its supervisory responsibilities. However, since the introduction of the Guidelines in 2015 ESMA's supervisory processes have evolved to a point where the timing, frequency and format of the information required by the 2015 Guidelines is no longer capable of supporting them in an efficient and effective manner.
2. It is with a view to addressing these deficiencies that ESMA proposes these revised Guidelines. This is done by first introducing a revised approach to determining a CRAs reporting obligations, moving away from a static distinction based on whether a CRA was liable for supervisory fees by proposing a dynamic distinction of reporting categorisations that are based on ESMA's internal risk assessment. Second, by proposing more proportionate reporting frequencies based on these reporting categorisations. Third, by providing more specific reporting instructions for a number of existing periodic reporting requirements, to ensure the Guidelines are implemented in a consistent basis by all CRAs. Fourth, by introducing a number of new periodic reporting requirements where necessary to support ESMA's supervisory activities. Finally, by introducing standardised reporting templates for a number of new and existing items to ensure a streamlined approach to reporting for CRAs and a higher level of usability for the information received.
3. Under the 2015 Guidelines, CRA's reporting requirements are determined by whether or not that CRA is exempted from the requirement to pay supervisory fees¹. However, while this is a clear and objective basis for distinguishing between the reporting requirements of different entities, it is not aligned with ESMA's risk-based approach to supervision, nor does it enable ESMA to adjust its reporting requirements in response to changes in ESMA's risk assessment of an entity.
4. ESMA's approach to its risk assessments of the CRAs is dynamic taking into account risks both at an entity and an industry level. The basis for these assessments is the information available to ESMA, this information can come from a wide variety of sources i.e. supervisory activities or requests for information, (periodic) information reported by supervised entities, information communicated to ESMA by NCAs, information from market

¹ Commission Delegated Regulation (EU) No 272/2012 Article 5 (1) "A registered credit rating agency shall be charged an annual supervisory fee. By way of derogation from the first sub-paragraph a registered credit rating agency shall be exempted from paying an annual supervisory fee where its total revenues as published in its most recent audited accounts is less than EUR 10 million, or in case it belongs to a group of credit rating agencies, where the group of credit rating agencies has aggregate total revenues of less than EUR 10 million".

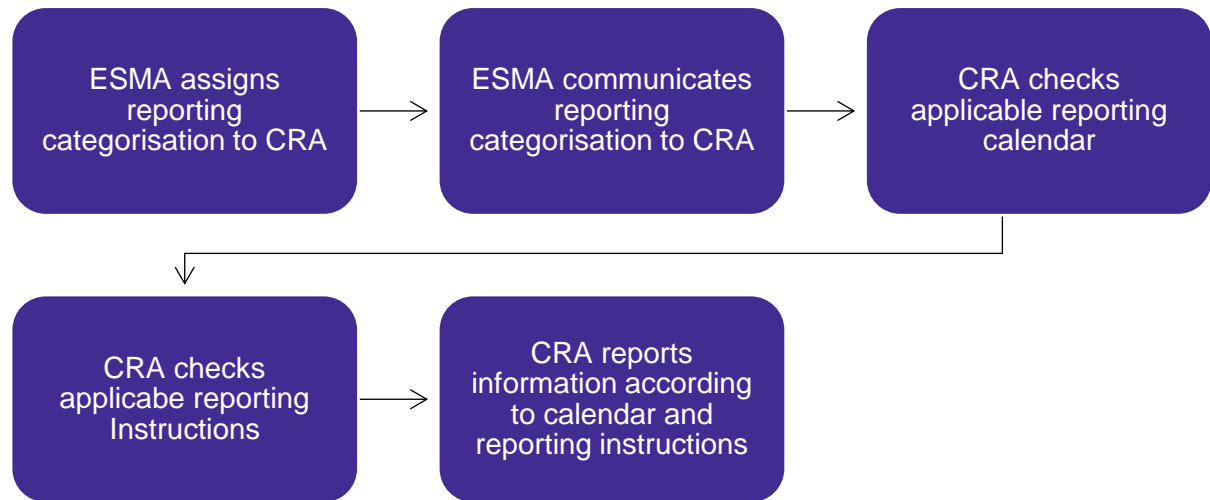
participants and third country regulators and information obtained through ESMA's own market intelligence.

5. The principal goal of the proposed Guidelines is therefore to streamline the periodic aspect of this information collection process, ensuring that it is fully aligned with ESMA's supervision and the requirement of its risk assessment processes. In this regard the emphasis is on ensuring that higher risk CRAs report to ESMA on a more frequent basis than other CRAs, but that all CRAs provide a higher quality of information than is currently the case under the 2015 Guidelines.
6. However, a secondary goal of the Guidelines is to increase the predictability of ESMA's supervisory interactions with CRAs, in particular with respect to the requests for information both formal and informal, that ESMA submits to CRAs. In this regard it is expected that by increasing the quality and usability of the information that is submitted by CRAs to ESMA on a periodic basis, the proposed Guidelines will reduce the need for ESMA to request information from CRAs on a bilateral basis through requests for information.

Implementation of the proposed Guidelines from a practical perspective

7. From a practical perspective, under the proposed Guidelines ESMA expects that once a CRA has been notified of its reporting categorisation (i.e. "Category 1" or "Category 2" CRAs) as per Section 3.1, its first point of reference should be to check the applicable submission deadlines and reporting requirements. In this regard, Section 3.2 provides the underlying reasoning for the new reporting frequencies and submission deadlines. Whereas Section 4 provides the specific reporting instructions for each requirement as well as references to any standardised reporting templates, where available. These reporting instructions are divided into "scheduled" and "ad-hoc" reporting and grouped according to modules based on business area.
8. For ease of reference, all this information has been summarised in the reporting calendars for "category 1" and "category 2" CRAs in Section 7. The reporting calendars provide a clear overview of the reporting requirements and submission deadlines for the forthcoming year per category of CRA. Having checked the calendar and the reporting requirements, the supervised entity can then report the required information to ESMA by the relevant reporting period according to the specified reporting instructions and templates.

FIGURE 1: PROCESS OF IMPLEMENTATION



3 Reporting Categorisations, Frequencies and Deadlines

3.1 CRAs' reporting categorisation

9. One of the main changes introduced by the proposed Guidelines is the basis on which CRAs reporting requirements are determined. As mentioned, the approach of the 2015 Guidelines was for a CRA's reporting requirements to be determined by whether or not that CRA is exempted from the requirement to pay supervisory fees.
10. While this approach is a clear and objective basis for distinguishing between the reporting requirements of different entities, it is no longer aligned with ESMA's risk-based approach to supervision, nor does it enable ESMA to adjust its reporting requirements in response to changes in ESMA's risk assessment of an entity.
11. ESMA has established a risk assessment framework in order to support the determination of its work plan and allocation of its supervisory resources. According to this framework, ESMA supervision will focus its resources on entities that pose the most risk.
12. The risk assessment is based on established risk management principles (i.e. impact and likelihood) and has two key pillars: i) assessment of an importance of a firm relative to other supervised entities, and ii) assessment of key risk areas within each firm. The risk assessment is conducted at fixed points during the year. The first pillar – industry-level assessment – enables ESMA to establish for all CRAs their market importance on the basis of its relative size, market share and operational characteristics (e.g. strategy, outsourcing,

and organizational and technical complexity). The second pillar – the entity level assessment – enables ESMA to establish the risk profile of specific areas (e.g. IT risk, governance risk) within each CRA. Combination of both key pillars produces map of key risks across all supervised firms weighted by their relative importance. The most significant identified risks form the basis of ESMA supervisory work program.

13. For both pillars, ESMA uses information gathered from supervised entities through supervisory databases (e.g. RADAR), periodic reporting, incident reporting, formal and informal requests for information and regular or ad hoc meetings with CRAs staff.
14. Besides supporting the allocation of supervisory resources and definition of the work plan, the framework is also used to make other strategic decisions such as an assignment of a dedicated Lead Supervisor to an entity, formulation of an entity-specific supervisory strategy and determination of periodic reporting frequency. This stage of the assessment is the most relevant for determining CRAs' reporting categorisations under these Guidelines although it is not the sole determining factor as supervisory judgement of an entities importance can also be counted as a factor.
15. In this regard, the proposed Guidelines will use the outcome of this risk assessment to determine whether CRAs are to be categorised as “category 1” or “category 2”. In practice, this means that ESMA will inform each CRA of their reporting categorisation before the entry into force of the proposed guidelines, ideally before the end of 2018. This will be done in writing via formal correspondence. A CRAs' initial reporting categorisation will remain unchanged unless the CRA is otherwise informed by ESMA in the same manner as the initial notification. Depending on their classification, CRAs should then report according to the requirements set out in the reporting calendar (Section 7). The reporting calendar will be published on ESMA's website alongside the final Guidelines.

Text of proposed guidelines

Reporting Categorisations

For the purpose of these Guidelines, CRAs will be assigned with a reporting categorisation based on ESMA's internal risk assessment. There will be two categories of reporting categorisation “category 1” and “category 2”. CRAs will be informed of their reporting categorisation 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 categorisation.

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.

3.2 Reporting Frequencies and Deadlines

16. Under the 2015 Guidelines, CRAs are required to submit information according to quarterly or semi-annual frequencies. To a large degree these reporting frequencies have been reduced for the vast number of items under the proposed Guidelines, with only one item needing to be reported on a quarterly basis, and then only by category 1 CRAs.
17. As a result, under the proposed revised Guidelines ESMA is proposing that “category 1” CRAs should now submit information on a predominantly semi-annual or annual basis, while “category 2” CRAs should report on a predominantly annual or bi-annual basis. The applicable frequency being dependent on a combination of the CRA’s reporting categorisation (“category 1” or “category 2” CRAs) and the type of the information to be reported.
18. This change in approach to the reporting framework could be described as having the effect of moving from a one-year reporting horizon to one with a two-year reporting horizon. The benefit of this change is that it allows ESMA greater latitude to adjust reporting requirements applicable to different types of information.
19. Nevertheless, with a view to maintaining consistency of approach with the 2015 Guidelines, the reporting periods and submission deadlines applicable to quarterly and semi-annual submissions have been maintained to the greatest extent possible. Although these frequencies are only applicable to “category 1” CRAs.
20. Where a change has been introduced is in the reporting frequencies for those CRAs categorised as “category 2”. For these CRAs, there will no longer be quarterly and semi-annual reporting. In addition, the annual and bi-annual reporting periods for “category 2” CRAs will be 12 months to 31 December, whereas for “category 1” CRAs it will be 12 months to 30 June. The purpose of this distinction is to ensure a smoother flow of supervisory information through the reporting cycle, so that CRAs and ESMA staff are not overburdened at specific points during the year. A final category of “on demand” is provided for “category 2” CRAs, this information does not need to be reported on a periodic basis, however ESMA expects that CRAs should be able to provide this information should ESMA request it.
21. In addition, the proposed approach identifies ad-hoc reporting requirements applicable to both categories of CRA. For notifications in this category, no distinction is made between the entities reporting categorisations and any notification should be made on an “as soon as possible” basis. In particular, both “category 1” and “category 2” CRAs should report on as soon as possible basis any material change to initial conditions of registration as well as a number of other specified events that ESMA considers relevant to its supervisory responsibilities (Table 5 in Section 6).

22. This new approach should ensure that ESMA receives a standard core of information for all CRAs, while also ensuring that a wide range of other events are notified as soon as possible regardless of an entities categorisation..

Text of proposed guidelines			
Reporting Periods and Submission Deadlines			
<p>CRAs should submit to ESMA information on a quarterly, semi-annual, annual, bi-annual or ad-hoc basis. The reporting periods and applicable deadlines for each category of CRA 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.</p>			
<p>TABLE 1: REPORTING FREQUENCIES AND SUBMISSION DEADLINES</p>			
Reporting Categorisation	Reporting Frequency	Reporting Period	Submission Deadline(s)
Category 1	Annual	Year to 30 June	31 July ²
Category 1	Semi-Annual	6 months to 31 December 6 months to 30 June	31 January 31 July
Category 1	Quarterly	31 March, 30 June, 30 Sept, 31 Dec	30 April, 31 July, 31 October, 31 Jan
Category 2	Bi-Annual	2 Years to 31 December	31 January
Category 2	Annual	Year to 30 June	31 July

Q2. Do you agree with that the proposed reporting periods and reporting deadlines are practicable and in particular scheduling the annual submission of information for “category 1”CRAs for the 12 Months to 30 June? If not please explain.

² With the exception of the Template for Costs and Revenues which should be reported on the basis of the previous financial year up by 30th April.

23. Further analysis of the approach and the underlying reasoning to reporting under the proposed revised Guidelines is provided in Tables 2 and 3. Table 2 provides an overview of the number of reporting items required by category of frequency. The difference in spread between the two categories of entity is a good illustration as to how ESMA’s risk based approach works in practice, with “category 1” CRAs providing ESMA with a higher frequency of reports than those categorised as “category 2”. As a counterbalance to this spread between scheduled reporting requirements, both categories are required to provide ESMA with the same number of ad-hoc notifications on as soon as possible basis. This ensures ESMA maintains a common flow of information from all entities.

TABLE 2: BREAKDOWN OF REPORTING ITEMS BY FREQUENCY AND CATEGORY

Reporting Categorisation	Quarterly	Semi-Annual	Annual	Bi-Annual	Demand	As Soon As
Category 1	1	7	16	-	-	20
Category 2	-	-	12	5	6	

24. One of the features of the proposed Guidelines is moving the submission deadline for “annual” reporting requirements from CRAs categorised as “category 1” to 31 July, as opposed to 31 January. The reasoning for this differentiation is to ensure an even flow of reporting through the year. This will ensure that ESMA is not overburdened at one date during the year and allow for a more efficient allocation of ESMA’s supervisory resources and ensuring having sufficient time to process the information received.

25. To illustrate this point, Table 3 lists the number of reports that are scheduled to be reported to ESMA by both categories of CRA per submission deadline. As can be seen from the number of reports that are scheduled to be reported in January and July, moving the annual deadline for “category 1” CRAs ensures a smoother reporting through the year.

TABLE 3: OVERVIEW OF REPORTS TO BE RECEIVED BY ESMA BY QUARTER

	31 st January	30 th April	31 st July	31 st October
Year 1	21	2	22	1
Year 2	26	2	22	1
Year 3	21	2	22	1
Year 4	26	2	22	1

4 Revised Reporting Requirements

26. The 2015 Guidelines are structured around the distinction between quarterly and semi-annual reporting requirements. Within these reporting deadlines some flexibility was granted to those CRAs who are not eligible for supervisory fees. However, as explained in Section 3, under the proposed guidelines ESMA is moving to a reporting distinction according to each supervised entities reporting categorisation i.e. “category 1” and “category 2” CRAs.
27. In addition to introducing this distinction in CRAs’ reporting categorisation, the proposed guidelines aim to increase the consistency and usability of the information provided by CRAs. This is done by providing more specific reporting instructions for each reporting requirement as well as standardised reporting templates where possible. The revised proposed guidelines also include new requests for information to further support ESMA’s supervisory processes in an efficient and effective manner. Where an item is a new addition to in comparison with the 2015 Guidelines a ****New**** identifier has been added to the title of that section.
28. Under the proposed Guidelines the grouping of the reporting requirements have also been updated. The new approach is to have two overarching categories for reporting requirements: “Scheduled” and “Ad-Hoc”. Within these two categories the individual reporting items are then grouped according to different modules. This ensures that similar requirements are addressed side by side, allowing for greater transparency as to the information ESMA is requesting.
29. For the “Scheduled reporting”, the modules are as follows:
- a) Governance;
 - b) Credit Ratings and Methodologies;
 - c) Internal Control;
 - d) Information Technology Reporting;
 - e) Financials, FTE and Headcount;
 - f) Internal Policies and Procedures.
30. For “Ad-Hoc reporting” the modules are:
- a) Notification of Material Changes to Conditions of Registration;
 - b) Other Ad-Hoc Notifications.

31. The below sections follow each reporting item grouped by module (Table 4 below). Each reporting item provides a description of the information that is currently received under the 2015 Guidelines and describes the changes ESMA considers necessary to be introduced. When a new reporting item is proposed to be introduced, this is highlighted in the proposed revised Guidelines and a description of the underlying reasoning for introducing this new requirement is provided.

TABLE 4: SCHEDULED REPORTING ITEMS

Scheduled Reporting	
Module 1	Governance
Item 1	Board Documents
Item 2	INED Questionnaire **New**
Item 3	Organisation Charts
Item 4	Litigations
Item 5	New and Potential Conflicts of Interest
Module 2	Ratings and Methodologies
Item 6	Annual Review of Credit Ratings **New**
Item 7	Annual Review of Methodologies **New**
Item 8	Semi-Annual Review of Sovereign Ratings **New**
Item 9	Resource Planning and Monitoring (analysts) **New**
Item 10	Resource Planning and Monitoring (methodologies/models) **New**
Item 11	Objective Reasons **New**
Module 3	Internal Controls
Item 12	Compliance Work Plan
Item 13	Internal Audit Plan
Item 14	Compliance Assessment and Internal Audit reports
Item 15	Internal Control Monitoring: Compliance, Internal Audit & Third party Assessments **New**
Item 16	Attestation on Internal Controls
Item 17	Disaster Recovery Plan **New**
	Business Continuity Plan **New**
Item 18	Risk Dashboard **New**
Module 4	Information Technology Reporting
Item 19	IT Strategy
Item 20	Book of Work IT Programme and IT Projects **New**
Module 5	Financials, FTE & Headcount

Item 21	Total number of staff working at a CRA
Item 22	Costs and Revenues by Asset Class for each Registered CRA
Module	Internal Policies and Procedures
Item 23	Full list of all internal policies and procedures **New**

32. For ease of reference, each section also provides the specific reporting frequency and submission deadlines per reporting item which are summarised in Table 5 “Comparative scheduled reporting calendars” and Table 6 “As soon as reporting requirements” in Section 4.3. In addition, questions relating to any reporting template should be provided in accordance with Section 5. The colour code for the reporting frequency is as follows:

Colour code:	Quarterly	Semi-Annual	Annual	Bi-Annual	As Soon As	Upon Demand
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4.1 General Principles

33. Under the 2015 Guidelines, ESMA has encountered difficulties in cases where CRAs submit documents to ESMA in a language other than English in a format that cannot be translated by ESMA’s translation tools. Typically, this problem arises when a document is submitted in a protected or non-machine readable format.

34. To address this issue, and ensure that CRAs are clear as to the format in which such documents should be reported to ESMA, the proposed Guidelines are introducing a section setting out General Principles clarifying that any document that is provided in a language that is not English should be submitted in a machine readable format.

Text of proposed guidelines
<p>General Principles</p> <p>Where documents are submitted in a language other than English, CRAs should submit these documents in a machine-readable format³ that could be capable of being automatically translated by ESMA’s supervisory tools. To ensure this is possible, CRA’s should submit such documents in .pdf format, or if not, in an unlocked machine-readable format.</p>

³ In this regard a “machine readable format” is understood as:

- 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.

4.2 Scheduled Reporting

4.2.1 Module: Governance

Item 1 – Board Documents

35. Under the 2015 Guidelines CRAs are required to provide to ESMA the minutes of their board meetings, as well as the a copy of the documents (board packs) sent to their management and supervisory board members in advance of their respective board meetings on a semi-annual basis. While ESMA is satisfied with the information that is being provided under this item, the current semi-annual frequency by which it is reported is not aligned with ESMA’s supervisory processes.
36. To address this issue, the proposed Guidelines maintain the substance of the requirement while increasing the frequency of reporting for category 1 CRAs to a quarterly basis. At the same time and with a view to introducing greater proportionality the frequency of reporting for “category 2” CRAs has been reduced to an annual basis.

Text of proposed guidelines		
Item 1 – Board Documents		
For reporting under this item, CRAs should submit the following:		
<ul style="list-style-type: none"> • The minutes of their board meetings, even in draft version if not approved by the following Board; • 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. 		
Category 1	Quarterly	31 st January, 30 th April, 31 st July, 30 th October
Category 2	Annual	31 st January

Q3. Do you agree with the proposed approach of reducing the frequency for reporting of Board Documents for “all other” CRAs? If not please explain.

Item 2 - INED Questionnaire *New*****

37. Under the 2015 Guidelines CRAs are required to provide to ESMA the opinion issued by their independent non-executive director (INED) to the Board of the CRA. While this information is a valuable input to ESMA’s supervisory processes the differences in content and format of the information provided can lead to difficulties in comparability from a supervisory perspective.
38. To address this issue, under the proposed Guidelines ESMA is introducing a requirement for CRAs to complete a Reporting Template that will ensure the information provided is fully aligned with the areas on which an INED is required to provide his opinion in Annex I, Section A (2) of the CRA Regulation. The benefit of this approach is that in addition to receiving the full INED opinion as part of a CRAs Board Documents, ESMA will also receive standardised responses in a usable format for all CRAs.

Text of proposed guidelines		
Item 2 - INED Questionnaire		
<p>In addition to any opinion provided to a Board meeting (item 1), CRAs should submit Template 1 [INED QUESTIONNAIRE] and provide its INED’s opinion with regards to the following items:</p> <ul style="list-style-type: none"> • 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. 		
Category 1	Annual	31 st July
Category 2	Bi-Annual	31 st January

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.

Item 3 – Organisation Charts

39. Under the 2015 Guidelines CRAs are required to provide to ESMA the organisational charts for their Compliance, Internal Audit, Internal Review, Rating Activities, and IT functions. While this information is useful in helping ESMA assess the organisational complexity of a CRA the differences in level of detail and the format of the information provided has led to difficulties in comparability.
40. To address this issue, under the proposed Guidelines ESMA is providing CRAs with more specific guidance as to the content and structure of the organisation charts that should be submitted to ESMA. In particular, ESMA considers it relevant to receive information not only regarding the CRAs’ organisational structure and functions but also their staffing. To this end, ESMA also expects to receive information regarding the staff allocated to the different functions. In providing these instructions ESMA is building upon the positive experience it has had in receiving these types of organisation charts in response to ad-hoc requests for information.

Text of proposed guidelines			
Item 3 – Organisation Charts			
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
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
	Information technology	Last Manager	EU

Support Functions	Human resources	Last Manager	EU
	Finance	Last Manager	EU
	Commercial staff and business relationship managers	Last Manager	EU
	Legal	Last Manager	EU
	Other Support Functions	Last Manager	EU

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 to the CRA-specific grades)
- Reporting line with Function and Name (If an employee reports outside the EU, please provide the global reporting line)

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.

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.

Category 1	Semi-Annual	31 st January, 31 st July
Category 2	Annual	31 st January

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

Item 4 – Litigations

41. Under the 2015 Guidelines CRAs are required to provide 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. This information is useful in helping ESMA to assess the legal risks facing a CRA. While ESMA is satisfied with the current standard of reporting under this heading it would like to take the opportunity of the revised Guidelines to improve the frequency of reporting.
42. In particular, ESMA considers relevant to introduce a distinction between “category 1” and “category 2” entities. As a result ESMA’s proposed revised Guidelines now request that this information continues to be reported according to a semi-annual frequency for “category 1” CRAs, and an Annual frequency for “category 2” CRAs.

Text of proposed guidelines		
Item 4 – Litigations		
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.		
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.		
Category 1	Semi-Annual	31 st January, 31 st July
Category 2	Annual	31 st January

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

Item 5 – New and Potential Conflicts of Interest

43. Under the 2015 Guidelines CRAs are required to provide ESMA with information on any new or potential conflicts of interest identified by the CRA. This information is useful as it allows ESMA to keep track of any changes to the existing or potential conflicts of interest that were notified to ESMA during the registration process. While ESMA is satisfied with the standard of reporting under this item ESMA recognises that it would be beneficial if the information was provided in a standardised format.

44. To address this issue, under the proposed Guidelines ESMA is introducing a standardised reporting template through which CRAs can report this information. As a result of the improved quality of reporting that ESMA expects that will result from the reporting template, ESMA is satisfied that the frequency of reporting can be reduced from the existing semi-annual to annual, for both categories of CRA.

Text of proposed guidelines		
Item 5 – New and Potential Conflicts of Interest		
CRAs should submit Template 2 [Breaches] in which they should include any new potential and actual conflicts of interest during the period.		
Category 1	Annual	31 st July
Category 2	Annual	31 st January

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

4.2.2 Module: Ratings and Methodologies

Item 6 – Annual Review of Credit Ratings *New*****

45. Under the 2015 Periodic Guidelines there is no requirement for CRAs to report whether they have conducted a review of all their credit ratings, and as such, no dedicated means for ESMA to receive this information other than bilateral requests for information.

46. However, Article 8(5) of the CRA Regulation requires CRAs to review their credit ratings on an ongoing basis and at least annually. These reviews are an important part of ensuring high quality of ratings. As a result it is important for ESMA to understand whether or not these reviews have been carried out, and when they have not, the reasons for this.

47. To address this issue, under the proposed Guidelines ESMA is introducing specific instructions for CRAs to provide information on this annual review. This information should be provided by means of a dedicated Template, ensuring the information received is consistent across all CRAs. Where a CRA has conducted an annual review for all its credit ratings this confirmation can be provided. In addition, where a CRA has not conducted an annual review of certain credit ratings this information can also be provided, alongside a rationale for the lack of a review.

Text of proposed guidelines		
Item 6 - Annual Review of Credit Ratings		
CRAs should submit Template 3 [annual review ratings] in which they should provide information whether or not it has completed the annual review of all currently issued credit ratings and provide details where any deviation has occurred.		
Category 1	Annual	31 st July
Category 2	Annual	31 st January

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.

Item 7 – Semi-Annual Review of Sovereign Ratings *New*****

48. Under the 2015 Guidelines there is no formal requirement to report information on whether they have conducted a semi-annual review of their methodologies. As such there is no dedicated means for ESMA to receive this information other than bilateral requests for information.
49. Article 8(5) requires a CRA to review its credit rating at least annually, it also requires Sovereign Ratings to be reviewed at least every six months. However, similar to the annual review of all credit ratings, the 2015 Guidelines include no explicit requirement for CRAs to notify ESMA as to whether or not the six-month review has been completed for their sovereign ratings.
50. To address this issue, under the proposed Guidelines ESMA is introducing a standardised reporting template to facilitate CRAs notification to ESMA of this information. This information should be provided by means of a dedicated Template, ensuring the information received is consistent across all CRAs Where a CRA has conducted a semi-annual review for all its credit ratings this confirmation can be provided. In addition, where a CRA has not conducted a semi-annual review of certain credit ratings this information can also be provided, alongside a rationale for the lack of a review.

Text of proposed guidelines		
Item 7 – Semi-Annual of Sovereign Credit Ratings		
CRAs should complete 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.		
Category 1	Annual	31 st July
Category 2	Annual	31 st January

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.

Item 8 – Annual Review of Methodologies and Models *New*****

51. Under the 2015 Guidelines there is no specific requirement for CRAs to report information on whether they have conducted a review of their methodologies. As such there is no dedicated means for ESMA to receive this information other than bilateral requests for information.
52. However, Article 8(5) of the CRA Regulation requires CRAs to review their methodologies on an ongoing basis and at least annually. These reviews are an important part of ensuring high quality of ratings. As a result it is important for ESMA to understand whether or not these reviews have been carried out, and when they have not, the reasons for this.
53. To address this issue, under the proposed Guidelines ESMA is introducing a standardised reporting template through which CRAs can provide this information to ESMA on a periodic basis. In this regard where a CRA has conducted an annual review for all its methodologies and models this confirmation can be provided. In addition, where a CRA has not conducted an annual review of certain methodologies or models this information can also be provided, alongside a rationale for the lack of a review. Receipt of this information will ensure ESMA has a good overview of the methodologies that have not been subject to an annual review, and the reasons behind this. As a result it should also minimise the need for any ad-hoc requests for information.

Text of proposed guidelines		
Item 8 – Annual Review of Methodologies and Models		
CRAs should submit Template 5 [Annual review methodologies] in which they should provide information whether or not it has conducted an annual review for each methodology and model applicable in the EU and provide details where any deviation has occurred.		
Category 1	Annual	31 st July
Category 2	Annual	31 st January

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.

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

54. Under the 2015 Guidelines there is no specific requirement for CRAs to report information on the allocation of analysts across the different analytical business lines, although ESMA does receive variations of this information as part of some CRAs submissions under FTE allocations. As such there is no dedicated means for ESMA to receive consistent and comparable information of this nature other than bilateral requests for information.
55. However, Article 8(3) of the CRA Regulation requires that CRAs use rating methodologies that are rigorous, systematic, continuous and subject to validation based on historical experience, including back testing. In addition, Annex I Section A (8) of the CRA Regulation requires CRAs to employ appropriate systems, resources and procedures to ensure continuity and regularity in the performance of its credit rating activities. As a result it is important that ESMA receives periodic information on the allocation of CRA’s analytical staff across different analytical business lines.
56. To address this issue, under the proposed Guidelines ESMA is introducing a standardised reporting template through which CRAs should provide this information to ESMA on a periodic basis. Receipt of this information on a periodic basis will ensure ESMA has a good overview of the levels of analytical staffing across the industry, thus minimising the need for ad-hoc requests for information.

Text of proposed guidelines		
Item 9 – Resourcing: Credit Ratings and Analysts		
CRAs should submit Template 6 [Resource planning AF] in which they should indicate how many analysts are operating in a surveillance or first assignment capacity in a lead or support role per number of credit ratings. This should be completed at the level of the EU group of CRAs.		
Category 1	Semi-Annual	31 st January, 31 st July
Category 2	Annual	31 st January

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.

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

57. Under the 2015 Guidelines there is no specific requirement for CRAs to report information on the allocation of staff to the review or validation of their methodologies, although ESMA does receive variations of this information as part of some CRAs submissions under FTE allocations. As such there is no dedicated means for ESMA to receive consistent and comparable information of this nature other than bilateral requests for information.

58. However, Article 8(3) of the CRA Regulation requires that CRAs use rating methodologies that are rigorous, systematic, continuous and subject to validation based on historical experience, including back testing. In addition, Annex I Section A (9) of the CRA Regulation requires CRAs to establish a review function responsible for periodically reviewing its methodologies, models and key rating assumptions. As a result it is necessary to ensure a more systematic receipt of this information for ESMA to effectively understand whether CRAs internal review functions are appropriately resourced.

59. To address this issue, under the proposed Guidelines ESMA is introducing a specific standardised reporting template through which CRAs can provide this information to ESMA on a periodic basis. Receipt of this information on a periodic basis will ensure ESMA has a good overview of the level of internal review staffing across the industry thus minimising the need for ad-hoc requests for information.

Text of proposed guidelines		
Item 10 – Resourcing: Methodologies and Models		
CRAs should submit Template 7 [Resource planning IRF] in which they should indicate the number of staff assigned to the review or validation of methodologies and models according to each business line. This should be completed at the level of the EU Group of CRAs.		
Category 1	Semi-Annual	31 st January, 31 st July
Category 2	Annual	31 st January

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.

Item 11 – Objective Reasons *New*****

60. Under the 2015 Periodic Guidelines there is no requirement for CRAs to report the objective reasons for elaborating endorsed credit ratings outside the EU and as such, no dedicated means for ESMA to receive this information other than bilateral requests for information.
61. However, Article 4(3)(e) of the CRA Regulation requires that a credit rating can only be endorsed into the EU when there is an objective reason for that credit rating to have been elaborated outside the European Union. As a result it is important for ESMA to receive periodic information on the objective reasons for elaborating endorsed ratings outside the EU.
62. To address this issue, under the proposed Guidelines ESMA is introducing a standardised template through which CRAs can provide this information to ESMA on a periodic basis. To streamline the submission of this information, the contents of the standardised Template are fully aligned with Guideline 4.2 Line 21 of ESMA’s Guidelines on Endorsement⁴.

⁴ ESMA 33-9-205 Update of the Guidelines on the application of the endorsement regimen under Article 4(3) of the CRAR

Text of proposed guidelines		
Item 11 – Objective Reasons		
CRAs should submit Template 8 [Objective reasons] in which they should provide a description of the objective reasons for the elaboration of any EU credit ratings by the CRA outside of the EU.		
Category 1	Semi-Annual	31 st January, 31 st July
Category 2	Annual	31 st January

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

4.2.3 Module: Internal Control

Item 12 – Compliance Work Plan

63. Under the 2015 Guidelines, ESMA receives CRAs’ compliance work plans on a semi-annual basis, in addition to whenever they are updated. This information is useful for ESMA to understand where CRAs are directing their compliance resources. However, ESMA believes that a semi-annual frequency of submission may not be appropriate for this document which is typically not updated on a semi-annual basis.

64. To address this issue ESMA is clarifying that “category 1” CRAs should submit this document on an annual basis, whereas “category 2” CRAs can submit this document on a bi-annual basis.

Text of proposed guidelines		
Item 12 – Compliance Work Plan		
CRAs should submit a copy of their Compliance Work Plan to ESMA.		
Category 1	Annual	31 st July
Category 2	Bi-Annual	31 st January

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

Item 13 – Internal Audit Work Plan

65. Under the 2015 Guidelines, ESMA receives CRAs’ internal audit work plans on a semi-annual basis, in addition to whenever the plan is updated. This information is important for ESMA to understand where the internal audit functions of CRAs are focusing their activities. However ESMA believes that a semi-annual period of frequency may not be appropriate for this document which is typically not updated on a semi-annual basis, as a result ESMA would like to take this opportunity to clarify that the Internal Audit Plan can be submitted on a less frequent basis.
66. To address this issue under the proposed Guidelines ESMA is clarifying that “category 1” CRAs should submit this document on an annual basis, whereas for “category 2” CRAs this can be provided on an “on demand” basis should ESMA request it

Text of proposed guidelines		
Item 13 – Internal Audit Work Plan		
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.		
Category 1	Annual	31 st July
Category 2	Upon Demand	Upon Demand

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

Item 14 – Compliance Assessment, Risk Assessments and Internal Audit Reports

67. Under the 2015 Guidelines, ESMA receives copies of CRAs compliance assessments and internal audit reports on a semi-annual basis for all CRAs. This information is useful for ESMA to understand the issues that are being identified by the CRAs’ internal control functions. However, given the volume of the information received under this item ESMA thinks it is useful if a distinction in reporting is introduced between “category 1” and “category 2” CRAs.

68. To address this issue under the proposed Guidelines ESMA is clarifying that “category 1” CRAs should submit this document on a semi-annual basis, whereas for “category 2” CRAs this can be provided on an “on demand” basis should ESMA request it

Text of proposed guidelines		
Item 14 – Compliance Assessments, Risk and Internal Audit Reports		
CRAs should submit to ESMA copies of any assessments conducted by the Compliance and Risk Management Function during the reporting period or when requested by ESMA.		
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 reports that have been produced during the reporting period		
Category 1	Semi- Annual	31 st January, 31 July
Category 2	Upon Demand	Upon Demand

Q15. Do you agree with the proposed approach regarding the submission of Compliance Assessment and Internal Assessment Reports? If not please explain.

Item 15 – Internal Control Monitoring Assessments *New*****

69. Under the 2015 Guidelines, ESMA does not receive sufficient information to systematically monitor or track the progress of CRAs internal control monitoring activities.

70. However, Annex I Section A (4) requires that “a CRA to have sound administrative and accounting procedure, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems”. In addition, Annex I Section A (5) requires that “those internal control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the credit rating agency”. Finally, Annex I Section A (10) requires that “a credit rating agency shall monitor and evaluate the adequacy and effectiveness of its systems, internal control mechanisms and arrangements established in accordance with this Regulation and take appropriate measures to address any deficiencies”. As a result, it is important for ESMA to track the progress of CRAs compliance or internal audit work projects in order to understand the efforts CRAs are making to implement any Remedial Action Plans that may be proposed by ESMA.

71. To address this issue, under the proposed Guidelines, ESMA is introducing a standardised reporting template through which CRAs can provide this information to ESMA on a periodic basis. Receipt of this information will ensure ESMA has a good overview of CRAs’ project

internal control monitoring activities. By way of introducing proportionality in the reporting of this information, ESMA is proposing that “category 1” CRAs provide this information on a semi-annual basis, whereas “category 2” CRAs should provide this on a bi-annual basis. This is differentiated from the information requested under Item 14 on the basis that information received through this template is focused on helping ESMA monitor the progress of any Internal Control projects, whereas Item 14 is more focused on receiving the internal audit and compliance reports themselves.

Text of proposed guidelines		
Item 15 – Internal Control Monitoring Assessments		
CRAs should submit Template 9 [IC_CM & IA Overview] and provide the required information regarding their monitoring of findings identified in the context of their compliance, internal audit and other assessments, including number of findings, management action plans or delays in remediation.		
Category 1	Annual	31 st July
Category 2	Bi-annual	31 st January

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

Item 16 – Attestation on Internal Controls *New*****

72. Under the 2015 Guidelines, there is no specific requirement for CRAs to submit an attestation on the effectiveness of their internal control structures, even when such an attestation may have been provided by that CRA to other supervisory bodies.
73. However, Annex I Section A (4) requires that “a credit rating agency to have sound administrative and accounting procedure, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems”. In addition, Annex I Section A (5) requires that “those internal control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the credit rating agency”. As a result, receipt of this information would be of significant value to ESMA’s understanding of a CRAs’ own identification of material weaknesses in their internal control system, and in such cases where it is already being provided to other supervisory bodies, ESMA would like to receive this information on a periodic basis.

74. To address this issue, under the proposed Guidelines ESMA is introducing a standing requirement for CRAs to submit this attestation where this does not conflict with any confidentiality obligations to other supervisory bodies. By way of introducing proportionality in the reporting of this information, for “category 1” CRAs this should be provided on an annual basis, for “category 2” CRAs this can be provided on an “on demand” basis should ESMA request it.

Text of proposed guidelines		
Item 16 – Attestation on Internal Controls		
Where a CRA’s governing body attests on the effectiveness of its internal control environment, CRAs should submit a copy of the attestation. Where a CRA has established and documented a framework identifying its risks, corresponding controls, the control objectives, control testing, etc., CRAs should submit the relevant documentation.		
Category 1	Annual	31 st July
Category 2	Upon Demand	Upon Demand

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.

Item 17 – Business Continuity Plan / IT Disaster Recovery Plan *New*****

75. Under the 2015 Guidelines ESMA receives the CRA’s Business Continuity Plans where they are provided as part of the documents sent (board packs) to the members of a CRA’s management or supervisory board for their respective board meetings. As such there is no dedicated means for ESMA to receive this information other than bilateral requests for information.

76. However, Annex I Section A (8) requires that CRAs “employ appropriate systems, resources and procedures to ensure continuity and regularity in the performance of its credit rating activities”. As a result, receipt of this information is important in helping ESMA understand a CRAs level of preparedness and ability to ensure the continuity of their rating activities.

77. To address this issue, under the proposed Guidelines, ESMA is introducing a stand-alone requirement for the reporting of these documents. For “category 1” CRAs, the Business Continuity Plan should be provided on an annual basis whereas “category 2” CRAs should provide this on an “on demand” basis. For “category 1” CRAs, where the IT Disaster

Recovery Plan is maintained as a separate document this should be provided on an annual basis. For “category 2” CRAs this can be provided on an “on demand” basis should ESMA request it.

Text of proposed guidelines		
Item 17 – Business Continuity Plan / IT Disaster Recovery Plan		
CRAs should submit a copy of its Business Continuity Plan, the results of any annual test, and when this is separate, the CRAs IT Disaster Recovery Plan.		
Category 1	Annual	31 st July
Category 2	Upon Demand	Upon Demand

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.

Item 18- Risk Dashboard *New*****

78. Under the 2015 Guidelines, ESMA receives a CRA’s Risk Dashboard where they are provided as part of the documents sent (board packs) to the members of a CRA’s management or supervisory board for their respective board meetings. However, given the importance of this document to ESMA’s understanding of CRAs views regarding its own risk environment, ESMA would like to introduce this as a standalone item to ensure it is received on a periodic basis from all CRAs. ESMA acknowledges that not every CRA will have an internal document entitled “Risk Dashboard”, in these cases ESMA would expect CRAs to instead provide whatever internal document functions to identify the risks that have been identified as facing the business. By way of introducing proportionality in the reporting of this information, ESMA is proposing that “category 1” CRAs should provide this information on a semi-annual basis, whereas “category 2” CRAs may provide this information on a bi-annual basis.

Text of proposed guidelines		
Item 18 - Risk Dashboard		
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 those as well.		
Category 1	Semi-Annual	31 January, 31 st July
Category 2	Bi-Annual	31 st January

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

4.2.4 Module: Information Technology Reporting

Item 19 – IT Strategy

79. Under the 2015 Guidelines, ESMA receives the IT Strategies of CRAs on a semi-annual basis. This information is useful for ESMA to understand the CRAs approach to the development of their IT capabilities. However, in order to better reflect the fact that this document is unlikely to be significantly altered over a six-month period, ESMA believes that the semi-annual reporting frequency for this item can be reduced to an annual frequency for “category 1” CRAs, whereas for “category 2” CRAs this can be provided on an “on demand” basis should ESMA request it .

Text of proposed guidelines		
Item 19 - IT Strategy		
CRAs submit a copy of their IT strategy.		
Category 1	Annual	31 st July
Category 2	Upon Demand	Upon Demand

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

Item 20 – Book of Work: IT Programme and IT Projects *New*****

80. Under the 2015 Guidelines, there is no specific requirement for a CRA to submit detailed information on the progress and expected delivery dates for its key IT programme and projects.

81. However, Annex I Section A (8) requires that CRAs “employ appropriate systems, resources and procedures to ensure continuity and regularity in the performance of its credit rating activities”. In addition, Annex I Section A (4) requires that “a credit rating agency to have sound administrative and accounting procedure, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems”. As a result, receipt of this information is important in helping ESMA monitor the establishment and progress of CRAs IT programmes and projects.

82. To address this issue, under the proposed Guidelines ESMA is introducing a standalone requirement for CRAs to provide this information through a standardised reporting template. Receipt of this information will ensure that ESMA has an understanding of the relevant IT programmes and projects as well as their state of play. By way of introducing a degree of proportionality in the reporting of this information this template should be provided on a semi-annual basis by “category 1” CRAs, and a bi-annual basis by “category 2” CRAs.

Text of proposed guidelines		
Item 20 – Book of Work IT Programme and IT Projects		
CRAs should submit information on their key IT programme and IT projects by completing Template 10 [IT Book of Work]		
Category 1	Semi-Annual	31 January, 31 July
Category 2	Bi-Annual	31 st January

Q.21 Do you agree with the proposed approach regarding the submission of information on CRAs ongoing IT programmes and Projects? If not please explain.

4.2.5 Module: Financials, FTE and Headcount

Item 21 – Staff Numbers and Other Indicators **New******

83. Under the 2015 Guidelines, ESMA receives information on the number and allocation of CRAs Full Time Employees (FTEs) on a quarterly basis. This information is important to help ESMA understand the sufficiency of a CRAs internal staffing resources and staff turnover, factors which contribute to ESMA’s risk assessment of a CRA.

84. However, differences in reporting styles between CRAs means the comparability of this information for ESMA is low. In addition, the format in which this information is currently reported does not enable ESMA to automate any supervisory tools for analysing the information submitted. As a result, the current usability of this information is low without the significant dedication of supervisory resources.

85. To address these issues, under the proposed Guidelines ESMA is requiring CRAs to submit information on FTE allocation by way of a standardised template. In addition, the proposed Guidelines will also require CRAs to provide information on the number of rating related IT applications currently used within the CRA and the number of ongoing IT projects and programmes within a CRA. This information is requested as part of the same template as the number of personnel and the number of IT applications are both correlated inputs

to an entities systemic risk indicator for the purposes of ESMA’s internal risk assessment. As a result, it makes sense to request this information together within the same Template.

With a view to easing the reporting burden it is proposed that the frequency of reporting be on an annual basis for both categories of CRA.

Text of proposed guidelines		
Item 21 - Staff Numbers & Other Indicators		
<p>CRA’s should submit Template 11 [IT ESI factors] 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:</p> <ul style="list-style-type: none"> • Analytical • Information Technology • Information Security • Compliance • Internal Audit • Other <p>CRA’s should submit Template 11 [IT ESI factors] providing information on the number of IT rating applications in use, the on-going IT programmes and IT projects at global level across the following areas:</p> <ul style="list-style-type: none"> • Rating Process • Methodology Development, validation and review • Commercial and Business Development Process • Other Supporting Processes (e.g. Human Resources process) 		
Category 1	Annual	31 st July
Category 2	Annual	31 st January

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.

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

Item 22 – Revenues and Costs

86. Under the 2015 Guidelines, CRAs are required to submit information on financial revenues and costs by type of credit rating. Among other purposes, ESMA uses this information to assess the financial performance of CRAs as well as the application of the CRA Regulation's fee provisions. However, under the current approach to reporting there is an insufficient level of consistency between the cost and revenue information reported by CRAs.
87. In this regard, ESMA has experienced a number of concerns with the quality of information reported under this area with some CRAs reporting costs and revenues according to legal entity, with others reporting this information at the level of the group.
88. In addition to these problems of consistency, the periodicity of the reporting is not fully aligned with the complementary information on fees charged to clients by CRAs that ESMA receives through Delegated Regulation 2015/01⁵, which is reported to ESMA on an annual basis. Finally, under the current 2015 Guidelines ESMA receives limited information on the activities of other entities within the CRAs' group who are selling credit rating related products or services, this results in a limited ability to assess whether any of these products or services could be considered as ancillary to the credit rating activities of the CRA.
89. To address these issues, under the proposed Guidelines ESMA is (i) introducing a reporting template in order to ensure a higher level of consistency between the information reported by CRAs (ii) providing more specific guidance as to the information to be reported in the template which includes information related to affiliates of the CRA and (iii) improving the alignment of the reporting frequency of the information with the Delegated Regulation on Fees.
90. As a result, under the proposed Guidelines CRAs should provide the same cost and revenue information as they are currently providing for their credit rating activities, except now through a standardised template. In addition, and with a view to addressing the lack of visibility ESMA currently has over the activities of affiliated entities, the Guidelines are also requesting CRAs to provide cost and revenue information for other companies within the group of which the CRA is a part which are selling credit rating related products or services. Examples of these products or services could be the distribution or licencing of the use of credit ratings and related content such as research. As part of this information, CRAs should provide a description for each credit rating related product or service. This will help ESMA to assess whether the product or service could be considered as ancillary to the CRAs' credit rating activities.

⁵ Commission Delegated Regulation (EU) 2015/01 of 30 September 2014 supplementing Regulation No 1060/2009 of the European Parliament and of the Council 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 ESMA.

91. Finally, the guidelines clarify that information on costs and revenues should be provided by 30 April, covering the previous calendar year. This will ensure the information received is as aligned as possible with the timing of the receipt of information provided in accordance with the Delegated Regulation on Fees.

Text of proposed guidelines		
<u>Item 22 - Revenues and Costs</u>		
<p>CRAs should submit Template 12 [Financials] providing a breakdown of the costs and revenues generated from credit rating activities and other related products or services for the preceding calendar year. For credit rating related products or services, CRAs should include a description of each type of other related product or service reported. Costs and revenues should be determined using the same principles used in preparation of the financial statements.</p> <p>ESMA expects CRAs to submit this information also on behalf of all other entities within the group that includes the registered CRA, that are directly selling credit rating related products or services, for example by distributing and/or licencing the use of credit ratings and related content such as research.</p> <p>For credit rating activities, CRAs should report quarterly revenues broken down by following types of credit ratings: Corporate Non Financials; Corporate Financials; Corporate Insurance; Sovereign / Public Finance; Structured Finance; Covered Bonds. For credit rating related products or services, CRAs should report quarterly revenues broken down by each type of related product or service offered.</p> <p>For credit rating activities, CRAs should report quarterly costs broken down by operating and non-operating costs. Operating Costs should be further disaggregated between compensation costs (payroll expenses) and other operating costs. Non-operating costs include interest and tax charges. For credit rating related products or services, CRAs should report total quarterly costs.</p>		
Category 1	Annual	30 th April
Category 2	Annual	30 th April

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.

4.2.6 Module: Internal Policies and Procedures

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

92. Under the 2015 Guidelines, there is no requirement for CRAs to submit a full list of all valid internal policies and procedures. This information is important to enable ESMA to track any changes in the internal control environment, policies regarding rating activities, endorsement or guidance and instruction provided to staff.
93. To address this issue, under the proposed Guidelines ESMA is introducing a standalone requirement for CRAs to provide this information through a standardised template. This will ensure that ESMA is kept up to date on all CRAs active internal policies and procedures, reducing the need for bilateral or ad-hoc requests for information.
94. Given that the purpose of this Template is to ensure ESMA is kept up to date with any changes it is proposed that this template be submitted on an annual basis by both categories of CRA, as well as on an “as soon as” basis should any changes be made. This will ensure that ESMA does not need to require this information on a bilateral or ad-hoc basis.

Text of proposed guidelines		
Item 23 – Active Internal Policies and Procedures		
CRAs should submit Template 13 [Policies and Procedures] in order to provide ESMA with an overview of all active internal policies and procedures. In case of changes to existing policies and procedures, the CRA is required to flag such change, explain the rationale and attached the revised version of the document including amendments in track changes.		
Internal Policies and Procedures	Reporting Frequency	Relevant Deadline(s)
Category 1	Annual / As Soon As	31 st July
Category 2	Annual / As Soon As	31 st January

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

4.3 Ad-Hoc Reporting Requirements

4.3.1 Notifications of Material Changes to the Initial Conditions for registration

95. Under the 2015 Guidelines, ESMA sets out a number of areas where it requires CRAs to notify it as soon as possible in the event of a change to a CRAs' initial conditions of registration.
96. Under the proposed Guidelines ESMA maintains the approach of “As Soon As” reporting requirements for each of these material changes to the conditions for registration. However, with a view to improving the information that is received from CRAs, and reduce the need for ESMA to revert on a bilateral basis for clarification, ESMA is introducing standardised templates for the reporting of some areas that would benefit from increased comparability of the information received and more general reporting instructions for each area. These areas are “Changes to Procedures Used to Issue and Review Credit Ratings” for which a reporting template is provided and “IT Processes and Information Processing Systems” for which two separate reporting templates are provided.
97. For all other notifications of material changes to the initial conditions of registration, the approach of the 2015 Guidelines is maintained with the changes included in the proposed Guidelines being limited to additional explanation as to what ESMA considers to be a trigger event for each reporting item. For this reason, the explanations provided under this section are limited to those Items for which a reporting template is being introduced.

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

98. Under the 2015 Guidelines, the consistency and level of detail of the information received by ESMA for the reporting of changes to membership of the Supervisory or Administrative Board of a CRA can vary greatly between CRAs.
99. However, Article 7(1) of the CRA Regulation requires that CRAs ensure that the rating analysts, its employees and any other natural person whose services are placed at its disposal or under its control and who are directly involved in credit rating activities have appropriate knowledge and experience for the duties assigned. Receipt of this information is therefore an important part in helping ESMA to assess the suitability and expertise of any individuals appointed to a CRAs Supervisory or Administrative Board.
100. To address this issue, the proposed Guidelines are introducing a Standardised Reporting Template to ensure that CRAs are clear as to ESMA's expectations regarding the information that should be provided in the event of such a change. This will ensure ESMA has a good overview of the skills and expertise of individuals appointed to the supervisory or administrative boards of CRAs and reduce the need for bilateral or ad-hoc requests for information.

Item 34 - Change to Procedures used to issue and review credit ratings *New*****

101. Under the 2015 Guidelines, CRAs should notify ESMA of any changes to their policies and procedures relating to the issuing or review of credit ratings. Given the overlap of this information with the scheduled reporting requirement for the full list of CRAs internal policies and procedures, the proposed Guidelines require CRAs to make this notification using the same Standardised Template as that used for its policies and procedures.

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

102. Under the 2015 Guidelines, ESMA does not receive comparable or consistent information regarding changes to CRAs' IT Processes or Information Processing Systems. Receipt of this information is an increasingly important part of ESMA's supervisory assessments.

103. To address this issue, under the proposed Guidelines ESMA is proposing that CRAs submit any such notifications via two standardised reporting templates. The first of these templates requires CRAs to provide ESMA with a detailed overview of its IT environment (Technology Summary), providing information on the number and type of the different IT applications and infrastructure that are currently in use across its business lines. The information requested by this template is differentiated from "Item 20 IT Book of Work: Programmes and Projects" on the basis that the template under Item 36 is requesting information on the IT infrastructure of a CRA, whereas Item 20 is focused on tracking the progress of a CRA's IT projects.

104. In addition, the proposed Guidelines will require CRAs to complete a Standardised Template in the event that the CRA decides to outsource any of its IT operations to a cloud service provider or uses a third party's cloud computing services. While the level of information required by this proposed template is significant, it is balanced by the fact that it is anticipated this notification will only need to be made by a CRA on a limited number of occasions. As a result, receipt of this information in the form of the reporting template will reduce the need for ESMA to revert with bilateral or ad-hoc requests for information.

Text of proposed guidelines

Module: Notifications of material changes to the initial conditions for registration

ESMA considers a "material change" to be a change in the information submitted in the registration application and, more generally, any change that may affect compliance with the requirements of the CRA Regulation. A CRA 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

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

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

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

CRAs should notify ESMA of any change with regard to the outsourcing of any important operational functions as set out in Article 25 of Delegated Regulation on information for registration. This notification should include an explanation as to how and why the change will have no material risk on the CRAs' internal control and the ability of ESMA to supervise the credit rating agency's compliance with obligations under the Regulation.

Item 28 - Legal Form

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.

Item 29 - Business Structure

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

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

CRA's 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

CRA's should notify ESMA of any changes to the membership of its Supervisory or Administrative Board by using Template 14 [Board Member Details]. In the event of a new member, CRAs should also submit an updated submission of the template.

Item 33 - Change to Compliance Function or Review Function

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 to issue and review credit ratings

CRAs should notify ESMA of any changes to its active internal policies and procedures relating to the issuing or review of credit ratings completing the Template 12 [Policies and Procedures]. This notification should provide a brief description of the change, the rationale for the change and the internal policies impacted. The document that triggers the notification should also be provided alongside the template in track changes.

Item 35 - Financial Resources

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

Item 36 - IT Process and Information Processing Systems

CRA's are expected to 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. These changes could include areas such as changes in IT governance, in the IT environment, including the outsourcing to Cloud Service Providers, or the use of cloud computing services. This template should be notified once on an initial basis, and then following any major changes.

For changes relating to the outsourcing to Cloud Service Providers CRAs should also complete Template 16 [IT Notification Cloud Computing].

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

4.3.2 Other Ad-Hoc Notifications

105. In addition to clarifying the approach to reporting for material changes to initial conditions of registration, the proposed revised Guidelines also introduce some additional areas which ESMA does not consider as constituting material changes to the conditions of registration but which are still significant enough to be notified to ESMA on an “as soon as” basis.
106. These are all areas where CRAs are expected to report on an as “As soon As” basis regardless of their reporting categorisation, using the reporting templates provided. The information required under each of these items is highly relevant for ESMA’s supervisory processes and in all cases are being introduced in these Guidelines in response to an identified supervisory need to receive this information on a more formalised basis than is currently the case.

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

107. Under the 2015 Guidelines, there is no guidance provided to CRAs as to the content or format of the information to be reported in the event of the identification of an error in a CRAs methodologies or models. As a result the information currently received by ESMA can lack sufficient detail or be insufficiently comparable across CRAs, to be of significant value to ESMA’s supervision.
108. Article 8(7) of the CRA Regulation requires CRAs to notify ESMA immediately where they become aware of errors in its methodologies. Receipt of this information is therefore an important part of ESMA’s supervisory oversight of CRA’s methodologies, models and key rating assumptions.
109. To address this issue, the proposed Guidelines are introducing a standardised reporting template for errors in CRAs methodologies and models. This reporting template should be completed and provided to ESMA whenever a CRA identifies or becomes aware of an error in one of their methodologies or their respective underlying models. The introduction of this template will ensure ESMA receives a consistent standard of reporting across CRAs and reducing the need for ad-hoc requests for information.

Item 38 - CRA IT and Information security incidents notifications *New*****

110. Under the 2015 Guidelines, there is no specific requirement for a CRA to notify ESMA of any IT or Information Security Incidents that may have affected its business activities, although it is currently the case that a number of CRAs do provide these notifications on a bilateral basis. However, the variations in the manner of how these notifications are

provided has highlighted the need for ESMA to introduce a standalone requirement with the Guidelines that clarifies the information that should be provided.

111. To address this issue, the proposed Guidelines are introducing a standardised template that can facilitate consistent and comparable reporting of IT and Information Security Incidents across CRAs. ESMA considers that the level of detail required by the reporting template is justified in respect of the growing importance of IT operations and information Security to its supervised entities. Receipt of this information will provide ESMA with usable and comparable information on CRAs IT and information security incidents and eliminate the need for bilateral or ad-hoc requests for information.

Item 39 – Sovereign Rating Calendar *New*****

112. Under the 2015 Guidelines there is no specific requirement for CRAs to provide ESMA with a copy of their calendar for sovereign rating actions for the forthcoming 12 months.
113. Article 8a(3) requires CRAs to publish on their website and submit to ESMA on an annual basis a calendar for the following 12 months setting a maximum of three dates for the publication of unsolicited sovereign ratings and rating related outlooks and setting the dates for the publication of solicited sovereign ratings and rating related outlooks. Receipt of this information, and in particular the reasons for any deviations, are an important part of ESMA's supervision of CRA's sovereign rating actions.
114. To address this issue, the proposed Guidelines clarify that CRAs should submit their calendar for sovereign rating actions for the forthcoming year to ESMA as soon as possible. In addition, where any deviation from the publication of sovereign ratings or rating related outlooks occurs, the proposed Guidelines clarify that CRAs should provide to ESMA the detailed explanation of the reasons for the deviation from the announced calendar.

Item 40 – Notification of New / Change to Existing Methodology *New*****

115. Under the 2015 Guidelines, there is no specific requirement for CRAs to notify ESMA of any change to an existing or the introduction of a new methodology, although this is already required by CRA the Regulation itself. However, with a view to improving the quality of the information that is already being received ESMA believes it would be beneficial if a degree of standardisation was introduced in these notifications. This includes clarifying that this notification should be made in the instance of a change to or the introduction of the models underlying CRAs methodologies.
116. To address this issue, the proposed Guidelines introduce a standardised reporting template for CRAs to notify ESMA in the cases where any of the notification obligations of set out in Article 8(6)(aa) apply. The aim of this template is to build on the requirement of Article 8(6)(aa) and ensure that ESMA receives high quality and comparable information across all CRAs.

Item 41 – Endorsed Credit Ratings *New*****

117. The publication of ESMA’s revised Guidelines on the Application of the Endorsement Regime in November 2017 (ESMA33-9-205), clarified a number of aspects of the endorsement regime under the CRA Regulation and CRAs responsibilities thereunder. One of these responsibilities was the requirement that CRAs submit to ESMA all documents relating to an internal review conducted by the CRA where it discovers that a CRA from which it has been endorsing credit ratings has not been adhering to the relevant internal policies and procedures.
118. To ensure that CRAs are fully aware of this notification requirement ESMA is including a cross-reference to this section of the Guidelines on Endorsement within the proposed Guidelines. This cross referencing relates to the requirement of Guideline 4.2 Line 17 of the Guidelines on Endorsement which requires CRAs to inform ESMA in cases where they identify that the conduct of a third country CRA from which it is endorsing credit ratings is not adhering to the CRAs internal policies and procedures. The purpose of this cross referencing is to ensure that CRAs make this notification on as soon as possible basis, in a similar fashion to other ad-hoc notifications.

Item 42 – Internal Complaints Submitted to the Compliance Department

119. Under the 2015 Guidelines, CRAs are required to notify ESMA on a semi-annual basis of any internal complaints submitted to the Compliance Department. However, given the importance of any such internal complaints to ESMA’s supervisory processes the justification for such a delay in the notification of this information is no longer justifiable.
120. To address this issue the proposed Guidelines require that any such complaints are notified to ESMA as soon as possible, using the standardised reporting template that has been provided. This will ensure that ESMA receives timely and consistent information for all CRAs, minimising the need for ESMA to revert on a bilateral basis for clarifications.

Item 43 – Potential and Actual Cases of Non-Compliance with the CRA Regulation

121. Similar to the notification of Internal Complaints to the Compliance Department, the 2015 Guidelines require CRAs to notify ESMA on a semi-annual basis of any potential or actual cases of non-compliance with the CRA Regulation. This is an area for which ESMA sees no justification for such a delay in providing this information.
122. To address this issue, the proposed Guidelines require that any such notifications are notified to ESMA as soon as possible, using a standardised reporting template. This will ensure that ESMA receives timely and consistent information for all CRAs, minimising the need for ESMA to revert on a bilateral basis for clarifications.

Text of proposed guidelines**Module: Other as soon as notifications****Item 37 - Identification of errors in methodologies / model processes**

CRAs should provide information to ESMA regarding errors that have been identified in a CRAs methodologies or models using the Template 17 [error initial & full]. The Template should be used at two different stages. The first stage being the moment of identification, and the second stage when the CRA has finalised its internal assessment of the error.

Item 38 – CRA IT and Information security incidents notifications

CRAs should provide information to ESMA on any IT and information security incidents by using the Template 18 [IT Notification IT & Sec Incident].

Item 39 - Sovereign Rating Calendar

CRAs should submit to ESMA their calendar for sovereign rating actions for the forthcoming year. In cases where a CRA deviates from the calendar CRAs should provide ESMA with a detailed explanation of the reasons for the deviation.

Item 40 - Notification of New / Change to existing Methodology

CRAs should provide information to ESMA on the publication of any new methodology, or change to an existing methodology or underlying model by completing the Template 19 [methodologies and models].

Item 41 - Endorsed Credit Ratings

CRAs should submit to ESMA all documents relating to any internal review conducted by the CRA where it discovers that a CRA from which it has been endorsing credit ratings has not been adhering to the relevant internal policies and procedures. Reporting under item should be carried out in accordance with Guideline 4.2 Line 17 of ESMA's [Guidelines on the Application of the Endorsement regime](#).

Item 42 - Internal Complaints submitted to the Compliance Department

On receipt of a complaint within the scope of the Regulation, CRAs should submit to ESMA 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

For reporting under this item, ESMA expects CRAs to complete the breach template provided in Template 2 [Breaches].

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

CRAs should provide to ESMA 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.

For reporting under this item, ESMA expects CRAs to complete the breach template provided in Template 2 [Breaches].

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.

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?***
- (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)?***

5 Reporting Templates

123. In order for ESMA to streamline the reporting process to the greatest degree possible and simultaneously ensure the submission of high quality comparable data, ESMA is proposing a number of reporting templates. Where a template is referred to in a specific reporting item, the reference to the relevant Template is provided. All these Templates are included in Annex I.
124. Each reporting template has been tailored to support the specific requirements of each reporting item. Following the finalisation of these Guidelines all relevant templates will be made available on the ESMA website in excel format. CRAs will then be free to download and use the Templates for use in their reporting processes.
125. 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.

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

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

6 Comparison of Reporting Requirements

126. A comparative overview of the reporting requirements proposed by these Guidelines is provided in Table 5. This table includes and compares the scheduled reporting requirements for each category of CRA, “category 1” and “category 2” with a view to illustrating the areas where ESMA is introducing a distinction between the reporting requirements for “category 1” and “category 2” CRAs.

127. These scheduled reporting requirements will be supplemented by the ad-hoc reporting requirements outlined in Table 6 that are equally applicable to both categories of CRA. For these reporting requirements any notification should be made on an “as soon as possible” basis.

TABLE 5: COMPARATIVE SCHEDULED REPORTING CALENDARS

Comparative Reporting Calendars for “Category 1” and “Category 2” CRAs								
Colour code	Quarterly	Semi- Annual	Annual	Bi-Annual	As Soon As	Upon Demand		
Governance								
Cat.1	Board Documents	INED Questionnaire	Organisation Charts	Litigations			New and Potential Conflicts of Interest	
Cat.2	Board Documents	INED Questionnaire	Organisation Charts	Litigations			New and Potential Conflicts of Interest	
Ratings and Methodologies								
Cat.1	Annual Review of Credit Ratings	Semi-Annual Review of Sovereign Ratings	Annual Review of Methodologies	Resourcing: Credit Ratings and Analysts	Resourcing: Methodologies & Models	Objective Reasons		
Cat.2	Annual Review of Credit Ratings	Semi-Annual Review of Sovereign Ratings	Annual Review of Methodologies	Resource Planning and Monitoring (Analysts)	Resourcing: Methodologies & Models	Objective Reasons		
Internal Controls								
Cat.1	Compliance Work Plan	Internal Audit Plan	Compliance Assessments Risk and internal audit reports	Internal Control Monitoring Assessment	Attestation on Internal Controls	Business Continuity Plan	Disaster Recovery Plan	Attestation on Internal Controls
Cat.2	Compliance Work Plan	Internal Audit Plan		Internal Control Monitoring Assessment				
Information Technology Reporting								
Cat.1	IT Strategy			IT Book of Work: IT Programme and Projects				
Cat.2				IT Book of Work: IT Programme and Projects				
Financials, FTE and Headcount								
Cat.1	Staff Numbers and Other Indicators			Revenues and Costs				
Cat.2	Staff Numbers and Other Indicators			Revenues and Costs				
Internal Policies and Procedures								
Cat.1	Active Internal Policies and Procedures (standing requirement)			Active Internal Policies and Procedures (when updated)				
Cat.2	Active Internal Policies and Procedures (standing requirement)			Active Internal Policies and Procedures (when updated)				

TABLE: 6 AD-HOC REQUIREMENTS APPLICABLE TO “CATEGORY 1” AND “CATEGORY 2” CRAS

Notifications of Material Changes to Conditions of Registration - “Category 1” and “Category 2” CRAs						
Opening and Closing of Branches	Use of Endorsement	CRA's right to an exemption given at registration	Outsourcing Arrangements	Change to Legal Form	Change to Business Structure	Change to Financial Resources
Change to Business Activities	Change to Ownership Structure	Change to Membership of supervisory/administrative Board	Change to Compliance function and review function	Change to Procedures used to issue and review credit ratings	IT Process and information processing systems supporting the rating process	
Other Notifications Non Material Changes - “Category 1” and “Category 2” CRAs						
Identification of errors in methodologies / model process	CRA Information security incidents notifications	Sovereign Rating Calendar	Potential and Actual Cases of Non-Compliance	Notification of New or Change to a Methodology	Endorsed Credit Ratings	Internal Complaints

7 Reporting Calendars

128. With a view to ensuring that both categories of CRA are clear as to their relevant reporting periods and deadlines, Tables 7 and 8 set out the reporting calendars for scheduled items applicable to “category 1” and “category 2” CRAs. These calendars contain all relevant information regarding when and how a scheduled item should be reported. For ease of reference information as to the applicability of a standardised reporting template is also provided on an item by item basis. In the same fashion, Table 9 sets out the “ad-hoc” returns applicable to both sets of CRAs that must be notified on an “as soon as” basis.

TABLE 7: “CATEGORY 1” CRAS: CALENDAR OF SCHEDULED RETURNS

Scheduled Returns for “Category 1” CRAs				
	Return Name	Return Frequency	Reporting Deadline	Template Available
Item	Governance			
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	Semi-Annual	31 Jan, 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 2
	Ratings and Methodologies			
6	Annual Review of Credit Ratings	Annual	31 July	Template 3
7	Semi-Annual Review of Sovereign Ratings	Semi-Annual	31 January, 31 July	Template 4
8	Annual Review of Methodologies & Models	Annual	31 January	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
	Internal Controls			
12	Compliance Work Plan	Annual	31 July	N/A
13	Internal Audit Work Plan	Annual	31 July	N/A
14	Compliance Assessments, Risk and Internal Audit Reports	Semi-Annual	31 January, 31 July	N/A
15	Internal Control Monitoring Assessments	Semi-Annual	31 Jan, 31 July	Template 9
16	Attestation on Internal Controls	Annual	31 July	N/A
17	Business Continuity Plan	Annual	31 July	N/A
	Disaster Recovery Plan	Annual	31 July	
18	Risk Dashboard	Annual	31 July	N/A
	Information Technology Reporting			
19	IT Strategy	Annual	31 July	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	30 April	Template 12
23	Active Internal Policies and Procedures	Annual	31 July	Template 13

TABLE 8: “CATEGORY 2” CRAS: CALENDAR OF SCHEDULED RETURNS

Scheduled Returns for “Category 2” CRAs				
Item	Return Name	Return Frequency	Reporting Deadline	Template Available
Governance				
1	Board Documents	Annual	31 January	N/A
2	INED Questionnaire	Bi-Annual	31 January	Template 1
3	Organisation Charts	Annual	31 January	N/A
4	Litigations	Annual	31 January	N/A
5	New and Potential Conflicts of Interest	Annual	31 January	Template 2
Ratings and Methodologies				
6	Annual Review of Credit Ratings	Annual	31 January	Template 3
7	Semi-Annual Review of Sovereign Ratings	Annual	31 January	Template 4
8	Annual Review of Methodologies	Annual	31 January	Template 5
9	Resourcing: Analysts and Credit Ratings	Annual	31 January	Template 6
10	Resourcing: Methodologies and Models	Annual	31 January	Template 7
11	Objective Reasons	Annual	31 January	Template 8
Internal Controls				
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 and Internal Audit Reports	Upon Demand	N/A	N/A
15	Internal Control Monitoring Assessments	Bi-Annual	31 January	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
Information Technology Reporting				
19	IT Strategy	Upon Demand	N/A	N/A
20	IT Book of Work: IT Programme and Projects	Bi-Annual	31 January	Template 10
Financials, FTE & Headcount				
21	Staff Numbers and Other Indicators	Annual	31 January	Template 11
22	Revenues and Costs	Annual	30 April	Template 12
Internal Policies and Procedures				
23	Active Internal Policies and Procedures	Upon Demand	N/A	Template 13

TABLE 9: AD-HOC RETURNS

Ad-Hoc Reporting Requirements Applicable to Category 1 and Category 2 CRAs			
Item	Return Name	Return Frequency	Template Available
Notification of Material Changes to Conditions of Registration			
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
Other Notifications – Non Material Changes			
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 2
43	Potential and Actual Cases of Non-Compliance	As soon as Possible	Template 2

8 Proposed Implementation of Revised Guidelines

129. This Consultation Paper is consulting on each proposal set out in Sections 3 – 7 of this document. When finalised, these sections will then repeal and replace sections V and VI of the 2015 Guidelines.
130. In terms of scope of application, there will be no change in approach between the 2015 Guidelines and the updated Guidelines. Consequently they will apply to all CRA's registered in the EU but not CRAs certified in accordance with the CRA Regulation.
131. Following the period of consultation these guidelines will be published in the form of a single document that includes all relevant templates and reporting calendars. In addition, and with a view to improving their visibility and integration within CRA's internal processes, ESMA will also publish the reporting calendars and excel versions of the templates set out in Section 7 and Annex II as standalone items that can be downloaded from ESMA's CRA supervisory web-page.
132. To ensure a smooth implementation of the updated Guidelines the proposed date of applicability of these Guidelines will be for reporting periods starting 31 July 2019.

Q.31 Do you have any comments on the proposed process of implementation?

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.

5 Guidelines on Periodic Information

6. The Guidelines on periodic reporting are split into five parts:
 - **Section 5.1 – Reporting Categorisations.** This section describes how CRAs are assigned different reporting categorisations 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 categories of CRAs.
 - **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 “Category 1” and “Category 2” CRAs.
 - **Section 5.5 – Reporting Templates.** This section includes the reporting templates to be used by CRAs.

5.1 Reporting Categorisations

7. For the purposes of these Guidelines each CRA will be assigned a reporting categorisation based on ESMA’s internal risk assessment. There will be two categories of reporting categorisation “category 1” and “category 2”. . CRA’s will be informed of their reporting categorisation 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 categorisation.

5.2 Reporting Periods and Submission Deadlines

8. CRAs should submit to ESMA information on a quarterly, semi-annual, annual, bi-annual or ad-hoc basis. The reporting periods and applicable deadlines for each category of CRA 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

TABLE 1: REPORTING FREQUENCIES AND SUBMISSION DEADLINES

Reporting Categorisation	Reporting Frequency	Reporting Period	Submission Deadline(s)
Category 1	Annual	Year to 30 June	31 July ⁶
Category 1	Semi-Annual	6 months to 30 June 6 months to 31 December	31 July 31 January
Category 1	Quarterly	31 March, 30 June, 30 Sept, 31 Dec	30 April, 31 July, 31 October, 31 Jan
Category 2	Bi-Annual	2 Years to 31 December	31 January
Category 2	Annual	Year to 31 December	31 January

⁶ With the exception of the Template for Costs and Revenues which should be reported on the basis of the previous financial year up by 30th April.

5.3 Information to be contained in the Periodic Submissions

5.3.1 General Principles

9. Where documents are submitted in a language other than English those documents should be capable of being automatically translated by ESMA's supervisory tools. To ensure this is possible, CRA's should submit such documents in .pdf format, or if not, in an unlocked machine-readable format⁷.

5.3.2 Scheduled Reporting

10. Reporting of each item under this heading should occur in accordance with the Scheduled Reporting Calendars provided in section 5.4 of these Guidelines. In this regard, CRAs should refer to the reporting calendar applicable to their categorisation.

5.3.2.1 Board Documents and Internal Governance

Item 1 - Board Documents

11. For reporting under this item, CRAs should submit the following:
 - The minutes of their board meetings, even in draft version if not approved by the following Board;
 - 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.

⁷Information 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.

Item 2 - INED Questionnaire **New******

12. In addition to any opinion provided to a Board meeting (item 1), CRAs should submit Template 1 [INED QUESTIONNAIRE] and provide 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.

Item 3 - Organisational Charts **New******

13. 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
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
	Other Support Functions	Last Manager	EU

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)

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.

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 - Litigations

14. 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.
15. 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

16. CRAs should submit Template 2 [Breaches] in which they should include any new potential and actual conflicts of interest during the period.

5.3.2.2 Ratings and Methodologies

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

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

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

18. CRAs should complete 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 and Models **New******

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

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

20. CRAs should submit Template 6 [Resource planning AF] in which they should indicate how many analysts are operating in a surveillance or first assignment capacity in a lead or support role per number of credit ratings. This should be completed at the level of the EU group of CRAs.

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

21. CRAs should submit Template 7 [Resource planning IRF] in which they should indicate the number of staff assigned to the review or validation of methodologies and models according to each business line. This should be completed at the level of the EU Group of CRAs.

Item 11 - Objective Reasons **New******

22. CRAs should submit Template 8 [Objective reasons] in which they should provide a description of the objective reasons for the elaboration of any EU credit ratings by the CRA outside of the EU.

5.3.1.3 Internal Control

23. 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

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

Item 13 - Internal Audit Work Plan

25. 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.

Item 14 – Compliance Assessments, Risk and Internal Audit Reports

26. CRAs should submit to ESMA copies of any internal reports or assessments conducted by the Compliance Function during the reporting period or when requested by ESMA.

27. 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 *New*****

28. CRAs should submit Template 9 [IC_CM & IA Overview] and provide the required information regarding their monitoring of findings identified in the context of their compliance, internal audit and other assessments, including number of findings, management action plans or delays in remediation.

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

29. Where a CRA's governing body attests on the effectiveness of its internal control environment, CRAs should submit a copy of the attestation. Where a CRA has established and documented a framework identifying its risks, corresponding controls, the control objectives, control testing, etc., CRAs should submit the relevant documentation.

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

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

Item 18 - Risk Dashboard **New******

31. 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 those as well.

5.3.2.3 Information Technology Reporting

Item 19 - IT Strategy **New******

32. CRAs submit a copy of their IT strategy.

Item 20– IT Book of Work: IT Programme and Projects **New******

33. CRAs should submit information on their key IT programme and IT projects by completing Template 10 [IT Book of Work].

5.3.2.4 Financials, FTE & Headcount

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

34. CRAs should submit Template 11 [IT ESI factors] 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
- Other

35. CRAs should submit Template 11 [IT ESI factors] providing information on the number of IT rating applications in use, the on-going IT programmes and IT projects at global level across the following areas:

- Rating Process
- Methodology Development, validation and review
- Commercial and Business Development Process
- Other Supporting Processes (e.g. Human Resources process)

Item 22 - Revenues and Costs

36. CRAs should submit Template 12 [Financials], providing a breakdown of the costs and revenues generated from credit rating activities and other related products or services for the preceding calendar year. For credit rating related products or services, CRAs should include a description of each type of other related product or service reported. Costs and revenues should be determined using the same principles used in preparation of the financial statements.
37. ESMA expects CRAs to submit this information also on behalf of all other entities within the group that includes the registered CRA, that are directly selling credit rating related products or services, for example by distributing and/or licencing the use of credit ratings and related content such as research.
38. For credit rating activities, CRAs should report quarterly revenues broken down by following types of credit ratings: Corporate Non Financials; Corporate Financials; Corporate Insurance; Sovereign / Public Finance; Structured Finance; Covered Bonds. For credit rating related products or services, CRAs should report quarterly revenues broken down by each type of related product or service offered.
39. For credit rating activities, CRAs should report quarterly costs broken down by operating and non-operating costs. Operating Costs should be further disaggregated between compensation costs (payroll expenses) and other operating costs. Non-operating costs include interest and tax charges. For credit rating related products or services, CRAs should report total quarterly costs.

5.3.2.5 Internal Policies and Procedures

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

40. CRAs should submit Template 12 [CCCBS Policies and Procedures] in order to provide ESMA with an overview of all active internal policies and procedures. In case of changes to existing policies and procedures, the CRA is required to flag such change, explain the rationale and attached the revised version of the document including amendments in track changes.

5.3.3 As Soon As Reporting Requirements

41. Reporting under this heading should be conducted by the CRA as soon as possible in accordance with the “As Soon As” reporting calendar in Section 5.4.

5.3.3.1 Notifications of Material Changes to the Initial Conditions for registration

42. ESMA considers a “material change” to be a change in the information submitted in the registration application and, more generally, any change that may affect compliance with the requirements of the CRA Regulation. A CRA 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

43. ESMA expects the CRA to notify it of any decision to establish a new branch or close an existing branch of one of its legal entities.

Item 25 - Use of Endorsement

44. ESMA expects the CRA to notify it 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

45. ESMA expects the CRA to notify it 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

46. CRAs should notify ESMA of any change with regard to the outsourcing of any important operational functions as set out in Article 25 of Delegated Regulation. This notification should include an explanation as to how and why the change will have no material Risk on the credit rating agencies’ internal control and the ability of ESMA to supervise the credit rating agency’s compliance with obligations under the Regulation. This notification should be made on an “as soon as” basis.

Item 28 - Legal Form

47. 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.

Item 29 - Business Structure

48. 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

49. 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

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

Item 32 - Change to Membership of Supervisory / Administrative Board

51. CRA's 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 submission of the template.

Item 33 - Change to Compliance Function or Review Function

52. 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 to issue and review credit ratings

53. CRAs should complete Template 13 [Policies and Procedures] in order to notify ESMA of any changes to its active internal policies and procedures relating to the issuing or review of credit ratings. This notification should provide a brief description of the change, the rationale for the change and the internal policies impacted. The document that triggers the notification should also be provided alongside the template in track changes.

Item 35 - Financial Resources

54. 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

55. CRA's are expected to 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. These changes could include areas such as changes in IT governance, in the IT environment, including the outsourcing to Cloud Service Providers, or the use of cloud computing services. This template should be notified once on an initial basis, and then following any major changes. For Changes relating to the outsourcing to Cloud Service Providers CRAs should also complete Template 16 [IT Notification Cloud Computing].

5.3.3.2 Non-Material Changes to Registration Notifications

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

56. ESMA expects CRAs to complete Template 17 [error initial & full]. CRAs should provide information regarding errors that have been identified in a CRAs methodologies or models. The Template should be used at two different stages. The first stage being the moment of identification, and the second stage when the CRA has finalised its internal assessment of the error.

Item 38 - CRA IT and Information security incidents notifications **New******

57. ESMA expects CRAs to complete Template 18 [IT Notification & IT Sec Incident] in order to provide information on any IT and information security incidents.

Item 39 - Sovereign Rating Calendar **New******

58. CRAs should submit to ESMA their calendar for sovereign rating actions for the forthcoming year. In cases where a CRA deviates from the calendar CRAs should provide ESMA with a detailed explanation of the reasons for the deviation.

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

59. ESMA expects CRAs to complete Template 19 [methodologies and models] in order to provide ESMA with information on the publication of any new methodology, or change to an existing methodology or underlying model.

Item 41 - Endorsed Credit Ratings **New******

60. ESMA expects CRAs to submit all documents relating to any internal review conducted by the CRA where it has found that a credit rating agency form which it has been endorsing credit ratings has not been adhering to its internal policies and procedures. Reporting under

item should be carried out in accordance with Guideline 4.2 Line 17 of ESMA's [Guidelines on the Application of the Endorsement regime](#).

Item 42 - Internal Complaints submitted to the Compliance Department

61. CRAs should submit to ESMA on receipt of a complaint within the scope of the Regulation:

- 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

62. For reporting under this item ESMA expects CRAs to complete the breach template provided in Template 2 [CCCBS Breaches].

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

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

- a) 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;
- b) A statement of the reasons why such case has arisen;
- c) A statement of the actions undertaken by the CRA following the identification of the case concerned;
- d) 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.

64. For reporting under this item ESMA expects CRAs to complete the breach template provided.

5.4 Reporting Calendars

Scheduled Returns for Category 1 CRAs				
	Return Name	Return Frequency	Reporting Deadline	Template Available
Item	Governance			
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	Semi-Annual	31 Jan, 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 2
Ratings and Methodologies				
6	Annual Review of Credit Ratings	Annual	31 July	Template 3
7	Semi-Annual Review of Sovereign Ratings	Semi-Annual	31 January, 31 July	Template 4
8	Annual Review of Methodologies & Models	Annual	31 January	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
Internal Controls				
12	Compliance Work Plan	Annual	31 July	N/A
13	Internal Audit Work Plan	Annual	31 July	N/A
14	Compliance Assessments, Risk and Internal Audit Reports	Semi-Annual	31 January, 31 July	N/A
15	Internal Control Monitoring Assessments	Semi-Annual	31 Jan, 31 July	Template 9
16	Attestation on Internal Controls	Annual	31 July	N/A
17	Business Continuity Plan	Annual	31 July	N/A
	Disaster Recovery Plan	Annual	31 July	
18	Risk Dashboard	Annual	31 July	N/A
Information Technology Reporting				
19	IT Strategy	Annual	31 July	N/A
20	IT Book of Work: IT Programme and Projects	Semi-Annual	31 Jan, 31 July	Template 10
Other				
21	Staff Numbers and Other Indicators	Annual	31 July	Template 11
22	Revenues and Costs	Annual	30 April	Template 12
Other				
23	Active Internal Policies and Procedures	Annual	31 July	Template 13

Scheduled Returns for “Category 2” CRAs				
Item	Return Name	Return Frequency	Reporting Deadline	Template Available
Governance				
1	Board Documents	Annual	31 January	N/A
2	INED Questionnaire	Bi-Annual	31 January	Template 1
3	Organisation Charts	Annual	31 January	N/A
4	Litigations	Annual	31 January	N/A
5	New and Potential Conflicts of Interest	Annual	31 January	Template 2
Ratings and Methodologies				
6	Annual Review of Credit Ratings	Annual	31 January	Template 3
7	Semi-Annual Review of Sovereign Ratings	Annual	31 January	Template 4
8	Annual Review of Methodologies	Annual	31 January	Template 5
9	Resourcing: Analysts and Credit Ratings	Annual	31 January	Template 6
10	Resourcing: Methodologies and Models	Annual	31 January	Template 7
11	Objective Reasons	Annual	31 January	Template 8
Internal Controls				
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 and Internal Audit Reports	Upon Demand	N/A	N/A
15	Internal Control Monitoring Assessments	Bi-Annual	31 January	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
Information Technology Reporting				
19	IT Strategy	Upon Demand	N/A	N/A
20	IT Book of Work: IT Programme and Projects	Bi-Annual	31 January	Template 10
Financials, FTE & Headcount				
21	Staff Numbers and Other Indicators	Annual	31 January	Template 11
22	Revenues and Costs	Annual	30 April	Template 12
Internal Policies and Procedures				
23	Active Internal Policies and Procedures	Upon Demand	N/A	Template 13

Ad-Hoc Reporting Requirements Applicable to Category 1 and Category 2 CRAs			
Item	Return Name	Return Frequency	Template Available
Notification of Material Changes to Conditions of Registration			
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
Other Notifications – Non Material Changes			
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 2
43	Potential and Actual Cases of Non-Compliance	As soon as Possible	Template 2

9 Annex II - Reporting Templates

9.1 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;		[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;		[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		[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		[Last_Name First_Name]	[DD-MM-YYYY]

9.2 Template 2: Breaches

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

9.3 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]

9.4 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]

9.5 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 credit rating was not reviewed annually]
[CRA Name]	[DD-MM-YYYY]	[DD-MM-YYYY]	[Name of credit rating impacted]	[Describe why given credit rating was not reviewed annually]

9.6 Template 6 Resourcing: Credit Ratings and Analysts

CRA Name	<i>[CRA Name]</i>	<i>[CRA Name]</i>
Date of notification	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
State as of	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
Business line	<i>[SF, FIG, CORP, SOVPF etc.]</i>	<i>[SF, FIG, CORP, SOVPF etc.]</i>
Surveillance/First assignment	<i>[Surveillance/First assignment]</i>	<i>[Surveillance/First assignment]</i>
Lead or supporting analyst	<i>[Lead/Support]</i>	<i>[Lead/Support]</i>
Number of analysts	<i>[No of analysts]</i>	<i>[No of analysts]</i>
Number of credit ratings	<i>[No of credit ratings]</i>	<i>[No of credit ratings]</i>

9.7 Template 7 Resourcing: Methodologies and Models

CRA Name	<i>[CRA Name]</i>	<i>[CRA Name]</i>
Date of notification	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
State as of	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
Business line	<i>[SF, FIG, CORP, SOVPF etc.]</i>	<i>[SF, FIG, CORP, SOVPF etc.]</i>
Review/ Validation	<i>[Review/Validation]</i>	<i>[Review/Validation]</i>
Methodology/ Model	<i>[Methodology/Model]</i>	<i>[Methodology/Model]</i>
Number of analysts/officers	<i>[No of analysts/officers]</i>	<i>[No of analysts/officers]</i>
Number of methodologies/models	<i>[No of credit methodologies/models]</i>	<i>[No of credit methodologies/models]</i>

9.8 Template 8: Objective Reasons

CRA NAME	<i>[CRA Name]</i>	<i>[CRA Name]</i>
LEI	<i>[Legal Entity Identifier of Rated Entity]</i>	<i>[Legal Entity Identifier of Rated Entity]</i>
INTERNAL ISSUER ID	<i>[Internal ID assigned by CRA]</i>	<i>[Internal ID assigned by CRA]</i>
ISIN	<i>International Securities Identification Number assigned to Rated Entity]</i>	<i>International Securities Identification Number assigned to Rated Entity]</i>
INTERNAL INSTRUMENT ID	<i>[...]</i>	<i>[...]</i>
LEGAL ENTITY NAME	<i>[Name of Legal Entity]</i>	<i>[Name of Legal Entity]</i>
RATING TYPE	<i>[CORP, FIN, SFI, SOV]</i>	<i>[CORP, FIN, SFI, SOV]</i>
LOCATION OF LEAD ANALYST	<i>[Country ISO Code]</i>	<i>[Country ISO Code]</i>
TYPE OF REASON	<i>[21.a] [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.a] [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>
REASON EXPLANATION	<i>[Reason for Elaboration outside EU]</i>	<i>[Reason for Elaboration outside EU]</i>

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

Finding ID	<i>[INTERNAL ID REFERENCE]</i>	<i>[INTERNAL ID REFERENCE]</i>
Type of assessment	<i>[Compliance assessment, Internal Audits or Review, Other Third Party Review]</i>	<i>[Compliance assessment, Internal Audits or Review, Other Third Party Review]</i>
Assessment Initiation	<i>[ESMA or Own initiative]</i>	<i>[ESMA or Own initiative]</i>
Initiation date	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
Function responsible for conducting the assessment	<i>[ANALYTICAL][INTERNAL REVIEW] [COMPLIANCE] [HR] [IT]</i>	<i>[ANALYTICAL][INTERNAL REVIEW] [COMPLIANCE] [HR] [IT]</i>
Short description of the scope of the assessment,	<i>[SHORT DESCRIPTION INCLUDING BUSINESS PROCESSES AFFECTED]</i>	<i>[SHORT DESCRIPTION INCLUDING BUSINESS PROCESSES AFFECTED]</i>
Start Date	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
CRA Expected Completion Date	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
Completion Date	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
Delays	<i>[YES / NO] [Provide an overview of the reason for delay]</i>	<i>[YES / NO] [Provide an overview of the reason for delay]</i>
Description of the finding	<i>[PROVIDE A DESCRIPTION OF THE FINDING OF THE REVIEW]</i>	<i>[PROVIDE A DESCRIPTION OF THE FINDING OF THE REVIEW]</i>
Management Actions identified		
Management Action Owner (name of function and person responsible)	<i>[Last_Name First_ Name]</i>	<i>[Last_Name First_ Name]</i>
Expected remediation date	<i>DD-MM-YYYY</i>	<i>DD-MM-YYYY</i>
Actual remediation date	<i>DD-MM-YYYY</i>	<i>DD-MM-YYYY</i>
Delays:	<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>
Comments / Residual Risks / Other issues	<i>[INSERT ADDITIONAL COMMENTS]</i>	<i>[INSERT ADDITIONAL COMMENTS]</i>

9.10 Template 10 IT Book of Work

Internal Reference	<i>[Internal Reference ID]</i>	
IT programme	<i>[If part of a programme, indicate name of IT programme, if not leave blank]</i>	
Project / Task Initiation	<i>[Indicate: "ESMA" or "Own Initiative"]</i>	
Project / Task Request Date	<i>[DD-MM-YYYY]</i>	
Short Description	<i>[Provide brief description of IT programme/project]</i>	
Long Description	<i>[Provide detailed Description of Project][Incl. summary of Technical Changes to be made]</i>	
Outsourcing	<i>[If the programme or project has been outsourced indicate name of the company and overview of outsourced activities]</i>	
Total Effort (person-days)	<i>[Estimate of total working days required]</i>	
Number of Persons Assigned (FTEs)	Internal resources	<i>[Indicate number of internal Persons assigned]</i>
	Outsourced	<i>Indicate number of external persons assigned]</i>
Start Date	<i>[DD-MM-YYYY]</i>	
CRA Expected Completion Date	<i>[DD-MM-YYYY]</i>	
Completion Date	<i>[DD-MM-YYYY]</i>	
Ownership (name of person responsible)	<i>[Last_name_First_name]</i>	
Current Task Phase	<i>[If available]</i>	
Task Completion	<i>[by %]</i>	
Delays	<i>[If delayed, please provide an overview of the reason for delay] [If not applicable: N/A]</i>	
Additional Comments	<i>[If not applicable: N/A]</i>	

9.11 Template 11: IT ESI Factors

CRA Name		<i>[CRA Name]</i>
Date of submission		<i>[DD-MM-YYYY]</i>
State as of		<i>[DD-MM-YYYY]</i>
Number of branches - Global		<i>[Global number of branches the CRA operates]</i>
Number of branches - EU		<i>[EU number of branches the CRA operates]</i>
Number of FTE - Global	TOTAL	<i>[Number of FTE employed globally]</i>
	Analytical	<i>[Number of Analytical FTE employed globally]</i>
	IT	<i>[Number of IT FTE employed globally]</i>
	Information Security	<i>[Number of FTE with information security responsibilities employed in the EU]</i>
	Compliance	<i>[Number of Compliance FTE employed globally]</i>
	Internal Audit	<i>[Number of Audit FTE employed globally]</i>
	Other	<i>[Number of other FTE employed globally]</i>
Number of FTE - EU	TOTAL	<i>[Number of FTE employed in the EU]</i>
	Analytical	<i>[Number of Analytical FTE employed in the EU]</i>
	IT	<i>[Number of IT FTE employed in the EU]</i>
	Information Security	<i>[Number of FTE with information security responsibilities employed in the EU]</i>
	Compliance	<i>[Number of Compliance FTE employed in the EU]</i>
	Internal Audit	<i>[Number of Audit FTE employed in the EU]</i>
	Other	<i>[Number of Other FTE employed in the EU]</i>
Number of IT rating applications	TOTAL	<i>[Number of IT rating applications]</i>
	Rating process	<i>[Number of IT applications supporting the Rating process (rating preparation, production and review, dissemination)]</i>
	Methodology development, validation and review	<i>[Number of IT applications supporting the Methodology development, validation and review]</i>
	Commercial and Business Development process	<i>[Number of IT applications supporting the Commercial and Business Development process]</i>
	Other supporting processes	<i>[Number of IT applications supporting other relevant processes (e.g. HR)]</i>
Number of on-going IT programmes / projects	TOTAL	<i>[Number of on-going IT programmes / projects]</i>
	Rating process	<i>[Number of on-going IT programmes / projects regarding the development of applications / systems for the Rating process (rating preparation, production and review, dissemination)]</i>

	Methodology development, validation and review	<i>[Number of on-going IT programmes / projects regarding the development of applications / systems for the Methodology development, validation and review]</i>
	Commercial and Business Development process	<i>[Number of on-going IT programmes / projects regarding the development of applications / systems for Commercial and Business Development process]</i>
	Other supporting processes	<i>[Number of on-going IT programmes / projects regarding the development of applications / systems for other supporting relevant processes (e.g. HR)]</i>

9.12 Template 12: Financials

Parent company	<i>[NAME OF PARENT COMPANY]</i>	<i>[NAME OF PARENT COMPANY]</i>
Subsidiary	<i>[NAME OF SUBSIDIARY]</i>	<i>[NAME OF SUBSIDIARY]</i>
Country of subsidiary	<i>[COUNTRY OF SUBSIDIARY]</i>	<i>[COUNTRY OF SUBSIDIARY]</i>
Year	<i>[YYYY]</i>	<i>[YYYY]</i>
Type	<i>[COST/REVENUE]</i>	<i>[COST/REVENUE]</i>
Activity	<i>[CREDIT RATING/OTHER]</i>	<i>[CREDIT RATING/OTHER]</i>
Asset class	<i>[ACCORDING TO RADAR]</i>	<i>[ACCORDING TO RADAR]</i>
Description of other product / service		
Cost type	<i>COMPENSATION/COMPENSATION</i> <i>NON-</i>	<i>COMPENSATION/COMPENSATION</i> <i>NON-</i>
Currency	<i>[EUR/USD/GBP]</i>	<i>[EUR/USD/GBP]</i>
Amount	<i>[0-9]</i>	<i>[0-9]</i>

9.13 Template 13: Policies and Procedures

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

9.14 Template 14: Board Member Details

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

9.15 Template 15: IT Technology Summary

PROCESS	APPLICATION(S) USED	INFRASTRUCTURE				DATAS ETS
		Operatin g System	DBMS	Middle ware	Servers - Hardwar e	
A Rating Process						
A 1 Preparation of RC, RC package etc.						
A 2 Rating production and review						
A 3 Dissemination and disclosure						
B Methodology / model development, validation and review						
C Commercial / Business Development						
D IT process						
E Other relevant supporting process (e.g. HR)						

Please attach the following documents	
Application Architecture	1. including application architecture and data flow diagram and data entity diagram 2. business and functional specifications per application
Network Architecture	including network architecture diagram

9.16 Template 16: IT Notification Cloud Computing

CRA Name	<i>[NAME OF REPORTING CRA]</i>	
Name of the cloud service provider, name of the parent company (if any)	<i>[REGISTERED COMPANY NAME]</i>	
Service commencement date	<i>[DD-MM-YYYY]</i>	
Last contract renewal date (where applicable)	<i>[DD-MM-YYYY]</i>	
Service expiry or upcoming contract renewal date	<i>[DD-MM-YYYY]</i>	
Country where the service is performed	<i>[Country Name]</i>	
The applicable law governing the contract	<i>[Applicable Country Law]</i>	
Approval for outsourcing to CSPs or use of cloud computing services by the governing body	<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>

Approval for outsourcing to CSPs⁸ or use of cloud computing services by the governing body	Ex-ante risk assessment (prior to the decision to outsource to CSPs or use of cloud computing services)	Please select the deployment and service models per key CRA business process and add other processes.						
		<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>Please provide the approval for outsourcing to CSPs or use of cloud computing services by the</i>	Have you performed a risk assessment prior to the decision to outsource to		<i>IaaS⁹</i>	<i>PaaS¹⁰</i>	<i>SaaS¹¹</i>	<i>Public¹²</i>	<i>Private¹³</i>	<i>Other (Please specify)</i>

⁸ Cloud Service Providers. Party which makes cloud services available.

⁹ Infrastructure as a Service: Cloud service category in which the cloud capabilities type provided to the cloud service customer is an infrastructure capabilities type.

¹⁰ Platform as a Service: Cloud service category in which the cloud capabilities type provided to the cloud service customer is a platform capabilities type.

¹¹ Software as a Service: Cloud service category in which the cloud capabilities type provided to the cloud service customer is an application capabilities type.

¹² Cloud deployment model where cloud services are potentially available to any cloud service customer and resources are controlled by the cloud service provider.

¹³ 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>governing body or the committee designated by it, and include a reference to the submitted document(s) in the field below.</i>	CSPs or use of cloud computing services?							
	Delete as appropriate: [Yes] / [No]	1. Rating process: preparation, rating production and review, rating dissemination						
		2. Methodology / model development, validation and review						
	If yes, please provide the following (a)(b)(c)	3. Commercial process						
	Date of the risk assessment: [DDMMYY]	4. IT process						
[INSERT TEXT]	(b) The risk assessment report and include a reference to the submitted document(s) in the field below.	5. Other supporting process (e.g. HR etc.)						
[INSERT TEXT]	[INSERT TEXT]	6. Other (please specify)						
[INSERT TEXT]	(c) Any action plan following the risk assessment report and include a reference to the submitted document(s) in the field below.							
[INSERT TEXT]	[INSERT TEXT]							

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).

Network and data flow diagrams

<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>						
	<i>Public Cloud</i>	<i>Private Cloud</i>	<i>Private In-house</i>	<i>Other (please specify)</i>	<i>Data location (region and country, include also for back-up and Disaster Recovery sites)</i>	<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>
1. Regulatory public disclosure data, e.g. press releases, published methodologies, codes of conduct, etc.						
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)						

9.17 Template 17: Error Initial & Full

To be reported as Full Notification	To be reported as Initial Notification	CRA Name	<i>[CRA Name]</i>	<i>[CRA Name]</i>
		Date of notification to ESMA	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
		Error notification ID	<i>[CRA Name_Date of notification to ESMA]</i>	<i>[CRA Name_Date of notification to ESMA]</i>
		Date of error occurring	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
		Date of error identification	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
		Date of error resolution	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
		Error type	<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>
		Error impact	<i>[At Initial Notification, provide impact assessment to the extent possible] [At Full Notification, describe actual impact the error had]</i>	<i>[At Initial Notification, provide impact assessment to the extent possible] [At Full Notification, describe actual impact the error had]</i>
		Error description	<i>[Error description]</i>	<i>[Error description]</i>
		Error root cause	<i>[Detailed root cause of the error]</i>	<i>[Detailed root cause of the error]</i>
		Steps taken by your CRA to avoid similar errors from reoccurring	<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>
		Error status	<i>[Open/Closed/On-going]</i>	<i>[Open/Closed/On-going]</i>
		Comments	<i>[Free text]</i>	<i>[Free text]</i>

9.18 Template 18: IT Notifications & IT and Info Sec Incident

CRA	[NAME OF CRA]	[NAME OF CRA]
Date of CRA notification	[DD-MM-YYYY]	[DD-MM-YYYY]
Means of notifying ESMA	[IF OTHER THAN THIS TEMPLATE]	[IF OTHER THAN THIS TEMPLATE]
Incident description	[BRIEF DESCRIPTION OF IT INCIDENT]	[BRIEF DESCRIPTION OF IT INCIDENT]
Incident Type/Category	[Please indicate all that apply:(a) breach of information integrity, confidentiality or availability expectations(b) human errors(c) non-compliance with policies or guidelines;(d) breaches of physical security arrangements;(e) uncontrolled system changes(f) malfunctions of software or hardware; (g) inadequate or ineffective system configuration (g) inadequate or ineffective system configuration (h) access violations.(i) Other: please specify]	[Please indicate all that apply:(a) breach of information integrity, confidentiality or availability expectations(b) human errors(c) non-compliance with policies or guidelines;(d) breaches of physical security arrangements;(e) uncontrolled system changes(f) malfunctions of software or hardware; (g) inadequate or ineffective system configuration (g) inadequate or ineffective system configuration (h) access violations.(i) Other: please specify]
IT systems involved / impacted	[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]
How was incident identified /detected	[DESCRIPTION OF HOW INCIDENT IDENTIFIED]	[DESCRIPTION OF HOW INCIDENT IDENTIFIED]
Date of Occurrence	[DD-MM-YYYY]	[DD-MM-YYYY]
Time of Occurrence	[24-HOUR-UTC]	[24-HOUR-UTC]
Date of Discovery	[DD-MM-YYYY]	[DD-MM-YYYY]
Time of Discovery	[24-HOUR-UTC]	[24-HOUR-UTC]
Date of Recovery/ Resolution	[DD-MM-YYYY]	[DD-MM-YYYY]
Time of Recovery/ Resolution	[24-HOUR-UTC]	[24-HOUR-UTC]
Notifications made to other parties involved (including regulators and supervisors)	[LIST OF PARTIES MADE AWARE OF IT INCIDENT] [INCL. OTHER REGULATORS]	[LIST OF PARTIES MADE AWARE OF IT INCIDENT] [INCL. OTHER REGULATORS]
Incident Status (closed, or open / on-going)	[OPEN/CLOSED/ ONGOING]	[OPEN/CLOSED/ ONGOING]
Solution Status	[PLEASE INDICATE: TEMPORARY/PERMANENT]	[PLEASE INDICATE: TEMPORARY/PERMANENT]
Root Cause	[CAUSE OF INCIDENT]	[CAUSE OF INCIDENT]

<i>Confidentiality, Integrity, Availability of the rating information and the rating process, methodology development, validation and review, commercial and business development process, other relevant process</i>	[YES/NO]	[YES/NO]
<i>impact on issuers and / or investors</i>	[YES/NO]	[YES/NO]
<i>the quality of the data submitted to ESMA</i>	[YES/NO]	[YES/NO]
Comments	[ANY FURTHER COMMENTS]	[ANY FURTHER COMMENTS]

9.19 Template 19: Methodologies and Models

CRAR Regulatory Notification	CRA Name	<i>[CRA Name]</i>	<i>[CRA Name]</i>
	Date of notification	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
	Date of new/revised methodology application	<i>[DD-MM-YYYY]</i>	<i>[DD-MM-YYYY]</i>
	Credit rating methodology name	<i>[Name of credit rating impacted]</i>	<i>[Name of credit rating impacted]</i>
	New/Revised	<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>
	Description	<i>[Description of a methodology]</i>	<i>[Description of a methodology]</i>
	Impact	<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>
	Change type	<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>
	Description of a change	<i>[Describe change in a methodology]</i>	<i>[Describe change in a methodology]</i>
ECAI Mapping Monitoring	Do any of the criteria below apply?	<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>
	Detailed explanation	<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>

14 Annex III Cost Benefit Analysis

Background

1. This consultation paper proposes 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 this consultation paper is to propose an update to the 2015 Guidelines in order 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 proposed 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 this CP. 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 19 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, and Costs and Revenues, 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 “category 1” CRAs whereas “category 2” CRAs will benefit from a reduced frequency thereby achieving a more proportionate overall outcome. Even for “category 1” CRAs, 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 CRA’s 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 remain in the “category 1” 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 higher risk CRAs which are already expected to have such a tool in place. 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.

Policy objective	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.
Technical proposal	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 "category 1/category 2".
<i>Benefits</i>	ESMA expects that these Guidelines will benefit EU CRAs by: <ul style="list-style-type: none"> - Providing easy to use templates and calendars facilitating automatic reporting systems. - Lowering overall the frequency of reporting of several items. - Providing additional clarity about the information which is expected from CRAs.

	<ul style="list-style-type: none"> - Allowing ESMA's supervisory activities to be more targeted on areas and entities of higher risks.
<p><i>Costs for CRAs</i></p> <p><i>Initial Costs</i></p> <p><i>Ongoing Costs</i></p>	<p>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> <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 which the CRA is not already under an explicit instruction to produce.</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>Costs for ESMA</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>

10 Annex IV List of Questions

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.
Q2	Do you agree with that the proposed reporting periods and reporting deadlines are practicable? If not please explain.
Q3	Do you agree with the proposed approach of reducing the frequency for reporting of Board Documents for "all other" CRAs? If not please explain.
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.
Q5	Do you agree with the proposed Guidelines for reporting CRAs organisational chart? If not please explain.
Q6	Do you agree with the proposed approach for the reporting of Litigations? If not please explain.
Q7	Do you agree with the proposed approach for the reporting of new and potential conflicts of interest? If not please explain.
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.
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.
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.
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.
Q12	Do you agree with the proposed approach for the reporting of objective reasons? If not please explain.
Q13	Do you agree with the proposed approach regarding the submission of the Compliance Work programme? If not please explain.
Q14	Do you agree with the proposed approach regarding the submission of a CRA's Internal Audit Work Plan? If not please explain.
Q15	Do you agree with the proposed approach regarding the submission of Compliance and Risk Assessment and Internal Audit Reports? If not please explain.

Q16	Do you agree with the proposed approach regarding the submission of information on CRAs internal control monitoring? If not please explain.
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.
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.
Q19	Do you agree with the proposed approach regarding the submission of CRAs' Risk Dashboard? If not please explain.
Q20	Do you agree with the proposed approach regarding the submission of CRA's IT Strategies? If not please explain.
Q21	Do you agree with the proposed approach regarding the submission of information on CRAs ongoing IT programme and Projects? If not please explain.
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.
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.
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
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.
Q26	Do you agree with proposed Guidelines for ESMA to receive information on material changes to the conditions of registration? If not please explain.
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.
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? (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)?
Q29	Do you have any comments on the reporting templates provided in Annex I? If yes please provide the Templates Reference alongside your comments.
Q30	Do you have any comments regarding the feasibility Template 16 [IT Notification Cloud Computing] and the appropriateness of the information requested?

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