European Securities and Markets Authority

Consultation Paper

ESMA's Draft Regulatory Technical Standards on the content and format of ratings data periodic reporting to be submitted from credit rating agencies

September 2011 | ESMA/2011/305

Responding to this Consultation Paper

ESMA invites comments on all matters in this Consultation Paper and in particular on the questions set forth in Section III. Comments are most helpful if they:

(a) indicate the specific question to which the comment relates;

(b) respond to the question stated;

(c) contain a clear rationale; and

(d) describe any alternatives ESMA should consider.

ESMA will consider all comments received by the 21 October 2011.

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

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading 'Disclaimer.'

Who should read this Consultation Paper

The reporting requirements presented in this Consultation Paper are addressed to credit rating agencies, which are strongly recommended to assess the proposals and to provide input on the subject. Users of credit ratings and anybody who is wishing to learn about the ratings data that would be available to ESMA in order to be able to discharge its responsibilities may also find interesting to read this paper. This could comprise issuers, institutional investors, supervisory bodies but also academics.

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Acronyms used

ABCP	**A**sset-**B**acked **C**ommercial **P**aper: Commercial paper collateralised by a pool of assets including loans, leases or receivables.
ABS	**A**sset-**B**acked **S**ecurity: A security backed by non-mortgage financial assets (consumer loans, credit card debt, etc.).
BIC	**B**usiness **I**dentifier **C**ode: An 11-character alpha-numerical code that uniquely identifies a financial or non-financial institution. It is defined by ISO code 9362.
CDO	**C**ollateralised **D**ebt **O**bligation: A security backed by a pool of bank loans and/or negotiable debt instruments (bonds etc...) and/or credit derivatives.
CFO	**C**ollateralised **F**und **O**bligation: A security backed by funds of hedge funds or funds of private equity funds.
CLO	**C**ollateralised **L**oan **O**bligation: CDO where the underlying portfolio includes bank loans.
CMBS	**C**ommercial **M**ortgage-**B**acked **S**ecurity: Security backed by mortgage loans on commercial property.
HEL	**H**ome **E**quity **L**oan: A loan secured by a home equity i.e. the home's fair market value minus the outstanding balance of the original mortgage.
ISIN	**I**nternational **S**ecurities **I**dentification **N**umber: A 12-character alpha-numerical code that uniquely identifies a security. It is defined by ISO code 6166.
ISO	**I**nternational **O**rganization for **S**tandardization.
NACE	The statistical classification of economic activities in the European Community, commonly referred to as NACE, is a European industry classification system containing a 6-digit code.
RMBS	**R**esidential **M**ortgage-**B**acked **S**ecurity: Security backed by mortgage loans on residential property.
SIV	**S**tructured **I**nvestment **V**ehicle: An (usually open-ended) investment vehicle which issues short-term notes and invests the proceedings in long-term securities, mostly in structured finance instruments.
Vintage year	The year of issuance of the instrument. Available for structured finance ratings.
XML	E**x**tensible **M**arkup **L**anguage. As an extensible language it allows users to define their own elements. Its primary purpose is to facilitate the sharing of structured data across different information systems, particularly via the Internet and it is also used to encode documents.
XSD	**X**ML **S**chema **D**efinition.

Executive summary

Reasons for publication

Article 21(4)(e) of Regulation (EC) No 1060/2009 ("the Regulation") on credit rating agencies ("CRAs") requires ESMA to submit, by 2 January 2012, draft Regulatory Technical Standards for endorsement by the European Commission on the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of on-going supervision by ESMA .

Pursuant to Article 10(1) of Regulation (EU) No 1095/2010 (ESMA's establishing Regulation), ESMA shall conduct open public consultation and cost-benefit analysis on the concerned draft Regulatory Technical Standards, and request the opinion of the Securities and Markets Stakeholder Group referred to in Article 37 of the mentioned ESMA's establishing Regulation.

In order to comply with the requirements above, ESMA has prepared this Consultation Paper to seek the views of the public on its current proposal regarding the draft Regulatory Technical Standards on the periodic ratings data reporting requirements to be imposed on credit ratings agencies.

This procedure is in line with ESMA's internal procedures for developing and adopting draft Technical Standards and Guidelines and Recommendations (ESMA/2011/BS/4).

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The reason for requiring periodic reporting of ratings data from credit rating agencies is to enable ESMA to use this data as a basis for its supervisory reviews and, in general, to support the tasks that ESMA shall carry out in order to discharge its obligations under the Regulation.

The availability of periodic data on ratings would allow ESMA to conduct effective ongoing oversight of the rating activities performed by the CRAs, and to carry out detailed and focused preliminary assessments before undertaking more intrusive investigatory or supervisory action. This should improve the efficiency, effectiveness and timeliness of the intervention from ESMA, enhancing the quality of supervision.

Section I of this document provides background information on the open public consultation that is carried out by means of this Consultation Paper.

Section II presents a general description of the ratings data that ESMA intends to collect from credit rating agencies through the periodic reporting requirements.

Section III of the Consultation Paper sets forth the questions and issues that ESMA would like interested parties to consider.

Annex I contains the Impact Assessment concerning the two options for the reporting requirements applicable to CRAs which have been formulated by ESMA in the course of its preliminary analysis and that have been presented to the public via the Call for Evidence published on 26 May 2011 ("*Call for Evidence on the ratings data periodic reporting requirements for CRAs*", Ref. ESMA/2011/156).

Annex II to this Consultation Paper contains the full text of the draft Regulatory Technical Standards ("RTS") on the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of on-going supervision by ESMA. The draft Regulatory Technical Standards set out the general principles and also the format and process for submission of reports. The Annexes include tables outlining reporting fields, including their standards, which must be used to submit the required data.

Next steps

ESMA will review its draft Regulatory Technical Standards on the basis of feedback from this Consultation Paper.

ESMA will publish both the opinion received from the Securities and Markets Stakeholder Group and a Feedback Statement summarising the comments received from the consultation and the conclusions drawn by ESMA.

ESMA will consult the EBA and EIOPA on the revised text of the draft Regulatory Technical Standards.

The last step will consist in the final review of the draft Regulatory Technical Standards and the submission of the final report to the European Commission by 2 January 2012.

I. Background

1. The legislative mandate for the draft Regulatory Technical Standards proposed in this Consultation Paper is to be found in Article 21(4)(e) of Regulation (EC) No 1060/2009 ("the Regulation") on credit rating agencies ("CRAs"), as amended by Regulation (EU) No 513/2011 of the European Parliament and of the Council of 11 May 2011.

2. Art. 21(4)(e) of the Regulation provides that "*By 2 January 2012, ESMA shall submit draft regulatory technical standards for endorsement by the Commission in accordance with Article 10 of EU Regulation No. 1095/2010* ("ESMA Regulation") *on: ...e) the content and format of ratings data periodic reporting to be requested from the credit rating agencies for the purpose of ongoing supervision by ESMA.*"

3. According to Article 10(1) of the ESMA Regulation, the Regulatory Technical Standards ("RTS") shall be technical, shall not imply strategic decisions or policy choices and their content shall be limited by the legislative acts on which they are based. ESMA is required to conduct an open public consultation on the draft RTS and to analyse the potential related costs and benefits.

4. ESMA published a "*Call for Evidence* on r*atings data periodic reporting requirements*" (Ref. ESMA/2011/156) on 26 May 2011. The aim of the Call for Evidence was to collect data and information for a preliminary assessment of the above-mentioned requirements from CRAs, and possibly other interested parties.

5. In the Call for Evidence, ESMA has formulated two different proposals for the content and format of the ratings data that CRAs should report to ESMA on a monthly basis, namely:

   - analytical data on individual rating actions; and
   - aggregate data on ratings.

6. The Call for Evidence closed on 20 June 2011. ESMA has received 11 responses: 2 from associations of financial institutions (banks) and 9 from credit rating agencies. The responses to the Call for Evidence have been taken into account in the preparation of the Consultation Paper at hand, and have been analysed in detail in the drafting of the Impact Assessment enclosed in Annex I to this document.

7. In parallel, ESMA has liaised with EBA and EIOPA to receive their views on the type of the ratings data that should be periodically acquired by ESMA in order to deliver effective and timely supervision of credit rating agencies. ESMA will continue to cooperate with EBA and EIOPA throughout the process relating to the issuance of the draft Regulatory Technical Standards, as required by Article 21(7) of Regulation (EC) No 1060/2009. In particular, ESMA will also seek input from EBA and EIOPA through this Consultation Paper.

8. The proposal concerning the draft Regulatory Technical Standards which is illustrated in this Consultation Paper (Annex II) draws substantially from the first option outlined by ESMA in the Call for Evidence. The reasons for this choice are explained more in detail in the Impact Assessment enclosed in Annex I. The approach takes into consideration the request from CRAs of analytical data on individual rating actions, which appears preferable due to its potential to materially improve the effectiveness of supervision.

9. The availability of regular and frequent analytical data may in general allow ESMA to supervise more closely the rating activities and the general conduct and organization of the credit rating agencies, enabling ESMA to respond promptly to cases of actual or potential breaches of the Regulation. Moreover, the availability of detailed information on rating actions may convey more precise indications to ESMA on how (and when) to exert more invasive powers in order to further investigate or review the critical issues identified.

10. The consultation period will close on the 21 October 2011. ESMA will afterwards review the responses from the consultation and revise the draft the Regulatory Technical Standards (RTS). The RTS will subsequently be submitted to the European Commission for endorsement by 2 January 2012; the final report concerning the RTS will be published from ESMA within the same date.

II. The ratings data required by ESMA for ongoing supervision

11. In order to deliver effective ongoing supervision, ESMA shall typically receive from credit rating agencies, on a periodic basis, a set of standard information and data. This will include details of rating activities, as explained in this Consultation Paper, but also other forms and type of information, such as updates on the review of the methodologies or reports from the internal review and the compliance function, as well as financial data and information on staff turnover, outsourcing and on the location of the lead analysts in charge of the various ratings. The receipt of regular and frequent reports will allow ESMA to supervise closely the rating activities, general conduct and organization of the credit rating agencies, and to react promptly to cases of actual or potential breaches to the Regulation.

12. Although the Regulation empowers ESMA to address specific requests of information to CRAs, rated entities and related third parties, and to conduct all other necessary investigations, it is crucial for the quality of the supervision that ESMA may receive some form of periodic (up-to-date), standardized and organized data concerning the rating activities carried out by the CRAs, which will form the basis for ongoing supervisory assessments and oversight. Analysis of these data will be essential in enabling ESMA to exercise efficiently and effectively its supervisory powers towards CRAs (for instance in the formulation of specific requests for information).

13. On 30 August 2010, CESR has issued its "*Guidance on the enforcement practices and activities to be conducted under Article 21(3)(a) of the EU Regulation No 1060/2009*"(CESR/10-944). CESR Guidance has indicated some operational data to be periodically submitted by CRAs to national competent authorities, including monthly data concerning ratings, notably on new issues, rating transitions and reviews, withdrawals, number of issuers/transactions rated/monitored.

14. , The precise standards concerning the ratings data indicated in the above-mentioned Guidance should have been specified by CESR. However, as the institutional changes linked to the relocation of supervisory competence on CRAs to ESMA required the issuance of Regulatory Technical Standards dedicated to the subject, CESR refrained from clarifying its Guidance in 2010.

15. The reporting of non-standardised information and ratings data to ESMA, in accordance with the various reporting requirements applicable to the CRAs in the different jurisdictions, is a partial and impractical solution. This option has not been considered further in the production of the draft Regulatory Technical Standards proposed in this Consultation Paper.

16. Having conducted its preliminary assessments, ESMA has formulated two possible proposals concerning the type of ratings data to be periodically reported by CRAs. The two options are: i) monthly data on rating actions (Option 1), and ii) aggregate data on ratings (Option 2). ESMA has sought input from external stakeholders on the two proposals by means of a Call for Evidence launched in May 2011.

17. The contributions received from the Call for Evidence, alongside other issues concerning the improvements of the IT structures of ESMA, have been analysed in the Impact Assessment that is enclosed in Annex II to this Consultation Paper.

18. The conclusion reached in the Impact Assessment is that reporting to ESMA of monthly data regarding individual rating actions has increased benefits relative to its costs compared to Option 2. This is mainly due to its potential to boost the effectiveness and timeliness of supervisory action.

19. .ESMA has built on the conclusions of the Impact Assessment in order to amend its proposal concerning the ratings data reporting requirements that should apply to CRAs. The current draft Regulatory Technical Standards, set out in Annex I of this Consultation Paper, require monthly reporting of detailed information on the rating actions carried out by the CRA. The data to be reported typically include:

- the type of the rating action (new rating, upgrading, downgrading, affirmation, rating outlook, observation, watch, withdrawal, default, change of status from/to solicited/unsolicited rating);
- identifier of the rating concerned by the action to be reported;
- date and hour of the publication of the rating action;
- identifier of the issuer/originator of the instrument to which the rating action is referred to;
- identifier of the instruments to which the rating action is referred to;
- level of the rating (e.g. AAA, A+, etc.) after the rating action;
- type of the rating concerned by the action (i.e. corporate, structured finance, sovereign and public finance);
- time horizon of the concerned rating (long term, short term, etc.);
- indication of solicited vs. unsolicited rating;
- date and hour of the adoption of the rating action;
- date and hour of the communication of the rating action to the rated entity, as provided by the Regulation;
- identifier of the CRA responsible for the rating action.

20. The monthly frequency for reporting that is proposed in the current draft Regulatory Technical Standards is in line with the frequency already indicated by CESR- for reporting of ratings data- in its

August 30 *Guidance on the enforcement practices and activities*. The monthly frequency is also supported by the conclusions of the Impact Assessment enclosed in Annex I of this Consultation Paper, on grounds of arguments mainly linked to the need to provide ESMA with adequate up-to-date data to allow timely detection of critical issues regarding rating activities.

21. The proposed reporting requirements include the identification of covered bond ratings, as opposed to other corporate ratings, when the covered bonds cannot be classified as structured finance instruments. This information is deemed appropriate for the purposes of ongoing supervision that are served by the periodic reporting. However, the specific identification of (non-structured) covered bonds ratings, as a separate category from corporate ratings, may raise concerns in terms of additional burden of the reporting. As a consequence, ESMA is seeking feedback through this Consultation Paper on the benefits for supervision that would be linked to the possibility to isolate the information concerning specifically covered bonds ratings. Similarly, respondents are invited to clarify on the cost impact, or any other different concern, linked to the identification of covered bond ratings in the periodic reporting to ESMA.

22. The draft Regulatory Technical Standards presented in this Consultation Paper require CRAs periodically report to ESMA about actions taken in respect of outlooks and “watch” (“watchlist”) designations of credit ratings. Information on these actions is deemed appropriate to allow ESMA supervise more closely the credit assessment activities linked to credit ratings. In this respect, ESMA invites the respondents to indicate any foreseen advantage or concern referring to the format and content of the proposed reporting of outlooks and watch designations. Similarly, ESMA would welcome feedback on the proposed requirement to file periodic reporting of actions relating to the placement of ratings under observation in case of review triggered by the circumstances set out in the Regulation.

III Questions

General questions on the current proposal for the draft Regulatory Technical Standards

Q1: Do you believe the level of detail of the draft Regulatory Technical Standards is appropriate?

Q2: Do you think the current proposal for the draft Regulatory Technical Standards covers all relevant data that should be periodically reported to ESMA?

Q3: What is your view of the reasons highlighted in the Consultation Paper for requesting periodic analytical data on rating actions?

Q4: What is your view on the possible benefits linked to the effectiveness of on-going supervision that may derive from the use of analytical data?

Q5: Do you agree with the proposed reporting principles?

Q6: Do you agree that the suggested frequency (monthly) for reporting is appropriate to enable ESMA to discharge timely and effectively its obligations and to ensure it has up-to-date data?

Specific questions regarding the data to be reported to ESMA

Q7: Do you believe that the specification of the data to be reported, as per Table 1, 2 and 3 of the Annex, is appropriate?

Q8: Do you agree with the standards indicated for the data fields in Table 2?

Q9: Do you think that additional actions should be included in field n. 8 of Table 2 of the Annex?

Q10: Do you think that additional options/items should be included in fields n. 9, 10 and 11 of Table 2 of the Annex?

Q11: Do you believe that the solutions proposed for the identification of instruments, issuers and originators are appropriate? Should ESMA consider alternative identifiers?

Q12: Do you agree with the method proposed for the cancellation of records?

Q13: Do you think that any of the fields that are proposed to be filled in only the first time a rating is reported should instead be provided more frequently?

Q14: How many actions do you believe your organisation should report each month to ESMA under the proposed draft Regulatory Technical Standards? Can you provide an estimate of the data points correlated to those actions which should have to be reported?

Q15: Would this kind of reporting require the implementation of significant changes to your organisation in order to comply with the requirements established in the proposed draft Regulatory Technical Standards?

Q16: What is your view on the requirement that CRAs should include in the periodic reporting to ESMA information about changes of outlooks or the issuance of "watches" (or watchlist designations) on credit ratings? Do you agree that reporting of these data can materially improve the effectiveness of supervision from ESMA?

Q17: Do you believe that the proposed content and format of the requested information on outlooks and watches is consistent with the policies and procedures adopted by your organisation for outlooks and watches?

Q18 Do you believe that your organisation (applicable to CRAs) should support any material additional cost linked to the reporting of actions regarding outlooks and watches to ESMA? If so, please clarify the nature (IT, fixed, ongoing) of these costs and provide figures or estimates. Please specify any similar concerns on the reporting to ESMA of the placement under observation of a rating following a regulatory review.

Q19 Do you agree that for the purpose of ongoing supervision ratings on covered bonds (that are not structured finance instruments) should be reported to ESMA as a separate type of ratings different from corporate ratings? What is your view on the specific issues/risks linked to covered bonds ratings? Can the clear identification of

covered bond ratings in the periodic reporting help ESMA to deliver a more effective and timely supervision of those risks and issues?

Q20 Do you believe that your organisation (applicable to CRAs) should support any material additional cost linked to identification in the reporting to ESMA of covered bond ratings as a separate type of ratings? If so, please clarify the nature (IT, fixed, ongoing) of these costs and provide figures or estimates.

<u>Questions regarding the Impact Assessment presented in Annex II</u>

Q21: Do you believe there are benefits from the reporting of aggregate data on ratings, as opposed to analytical data on rating actions, which have not been fully considered in the Impact Assessment? Please describe in detail those advantages/benefits in case of affirmative answer.

Q22: Do you have any concerns regarding the methodological specifications and key assumptions adopted for the Impact Assessment? If so, please specify the alternative solutions and hypothesis that should be considered in case of positive answer.

Q 23: Do you believe that the overall results of the Impact Assessment are reasonable? Do you agree with the outlined costs and benefits of the different options?

Q24: Has the Impact Assessment omitted any material cost or benefit?

Q25: Do you believe that the weightings used to consolidate the costs and benefits under the two options do not properly reflect the impact of the costs and benefits to the different stakeholders in the economy? If so, please suggest the different weighting system for the costs and benefits.

Q26: Do you think that all relevant factors were considered in selecting the costs and benefits of the different options and determining their impact?

Annex I

Impact Assessment

Pursuant to Article 10(1) of Regulation (EU) No 1095/2010; accompanying consultation on:

draft Regulatory Technical Standards on the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of on-going supervision by ESMA in accordance with Article 21(4)(e) of Regulation (EC) No 1060/2009

Executive Summary

1. Article 21(4)(e) of Regulation (EC) No 1060/2009 on credit rating agencies requires ESMA to submit, draft Regulatory Technical Standards for endorsement by the European Commission on the content and format of ratings data periodic reporting to be requested from credit ratings agencies.
2. This impact assessment examines the costs and benefits that are linked to the proposals formulated in respect of the periodic reporting requirements to be established for CRAs as set out in article 21(4)(e) of the Regulation.
3. The two proposals that are analysed in this document are the ones initially elaborated by ESMA and published through the Call for Evidence "*on the ratings data periodic reporting requirements for CRAs*" (Ref. ESMA/2011/156) launched on 26 May 2011.
4. The conclusions of this Impact Assessment assign preference to the proposal consisting in requiring CRAs to submit monthly analytical data on ratings actions to ESMA.
5. This preference is primarily based on the higher potential that these data would have to support assessment of a number of areas relating to compliance with the CRA Regulation. The benefits of this potential do not seem to be offset by higher relative cost linked to the implementation of this proposal.
6. This Impact Assessment should be read in combination with the Consultation Paper on "*ESMA's Draft Regulatory Technical Standards on the content and format of ratings data periodic reporting to be submitted from credit rating agencies*" (ESMA-2011-XXX), to which it is annexed.

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1. Objective and procedure

7. The objective of this impact assessment is to assess the costs and benefits linked to the implementation of the ratings data reporting requirements to be applied to credit rating agencies for the purpose of ongoing supervision by ESMA, in accordance with Article 21(4)(e) of Regulation (EC) No 1060/2009.

8. In the preparation of the relevant draft Regulatory Technical Standards, Article 10(1) of Regulation (EU) No 1095/2010 compels ESMA to conduct a public consultation and cost-benefit analysis on the

subject, requesting also the opinion of the Securities and Markets Stakeholder Group referred to in Article 37 of the mentioned ESMA's establishing Regulation.

9. Pursuant to the requirements above, ESMA has published on 26 May 2011 a "*Call for Evidence on the ratings data periodic reporting requirements for CRAs*" (ESMA/2011/156), with the aim to gather relevant information, including estimates of costs and benefits as well as expert judgment on technical issues, from credit rating agencies, professional users of ratings (financial institutions) and other interested third parties.

10. The responses to the Call for Evidence have importantly contributed to the impact assessment provided in this section. The Call for Evidence closed on 20 June 2011. ESMA has received 11 responses, of which 2 came from associations of financial institutions (banks) and 9 from credit rating agencies.

2. Methodology

11. In order to assess the costs and benefits linked to the ratings data reporting requirements applicable to CRAs, the analysis has focused on the impact of such requirements on the following stakeholders:

- credit rating agencies (CRAs)
- ESMA; and
- users of ratings in general (investors, financial institutions, issuers ect);

12. The costs and benefits that have been considered in this analysis are set out below:

COSTS:

a) for CRAs:

- fixed IT costs
- ongoing compliance costs

b) for ESMA:

- IT costs
- ongoing supervisory costs
- legal and reputational risks

c) for users of ratings in general:

- impact on cost and availability of ratings

BENEFITS:

a) for CRAs:

- improvement of exchange of information with ESMA
- reputational gains

b) for ESMA:

- effectiveness and timeliness of the supervisory process
- protection of investors and quality of credit ratings

c) for users of ratings in general:

- quality of the credit ratings

13. The impact of the costs and benefits is graphically represented by the following symbols:

Key of the impact of costs and benefits		
Low	**Medium**	**High**
✓	✓✓	✓✓✓

14. The comparison between the two options discussed in this Impact Assessment is done by calculating the overall costs and benefits of each of these options. This requires the calculation, for each option, of a summary figure for the costs and one for the benefits for all relevant stakeholders (financial institutions/users of ratings, CRAs and ESMA). The analysis uses different weights to aggregate costs and benefits across stakeholders, in the attempt to reflect their different relevance from the perspective of the economic system as a whole.

15. CRAs are assigned a higher weight in respect of the cost impact of the requirements, as they are the regulated entities which should directly bear the compliance costs associated with the periodic reporting. On the contrary, the weight assigned to the users of ratings (financial institutions, issuers and general market participants) is greater in respect of the advantages brought by the reporting requirements, because the benefits are supposed to be linked with the higher quality of the ratings, which is presumably correlated with the effectiveness of the supervisory action. The position of ESMA is also very important from the perspective of the benefits, as the reporting requirements are meant to be set out primarily to serve the purposes of ongoing supervision. The weighting systems are the following:

Weights assigned to stakeholders regarding the costs of the reporting requirements		
Credit Rating Agencies	**ESMA**	**Users of Ratings**

60%	**20%**	**20%**

Weights assigned to stakeholders regarding the benefits of the reporting requirements		
Credit Rating Agencies	**ESMA**	**Users of Ratings**
10%	**45%**	**45%**

3. The options considered

16. Having conducted its preliminary analysis, ESMA has presented in the Call for Evidence two different options concerning the data that CRAs should periodically submit, requiring in both cases a monthly frequency for the reporting. In particular, ESMA has considered to request:

- Option 1: analytical data on rating actions; and
- Option 2: aggregate data on ratings.

17. The option to require analytical data has been taken into account on grounds of the additional value that a continuous flow of micro-data on rating actions could provide, which could facilitate a more effective supervision of CRAs. The formulation of the option as presented in the Call for Evidence envisaged, with no intention to be exhaustive, the reporting from CRAs of the following type of information:

- Identifier of relevant rating;
- Date and hour of the publication of the rating action;
- Issuer/SPV to which the rating action is referred to;
- Financial instruments to which the rating action is referred to (if applicable) ;
- ISIN code of the financial instruments (if applicable);
- Level of the rating (e.g. AAA, A+, etc.) after the rating action;
- Type of rating (i.e. corporate, structured finance, sovereign and public finance);
- Time horizon of the rating (long term, short term, etc.);
- Indication of solicited vs. unsolicited rating;
- Period of validity of the rating (if applicable);
- Type of rating action (i.e. new rating, upgrading, downgrading, rating outlook positive/negative, rating review/rating watch, withdrawal of rating);
- Date and hour of the adoption of the rating action;
- Date and hour of the communication of the rating action to the rated entity (before the publication), as provided by the Regulation;

- Subsidiary of the CRA which issues the rating action and persons responsible of the rating action.

18. The possibility to request CRAs to submit monthly ratings data in aggregate and summarized form has been considered as a more flexible and practical approach to supervisory reporting. Aggregate data would probably allow an analysis at a higher level, but may still provide indications (on trends, activities and potential issues) that could be further investigated by ESMA through specific requests of information in accordance with Article 23(b) of the Regulation.

19. This second option, as specified in the Call for Evidence, included the reporting to ESMA of the following information:

    a. General data. For each type of rating (corporate ratings divided by sector, structured finance instruments divided by asset type, public/sovereign ratings divided by sovereign, sub-sovereign, supranationals and public entities), the following aggregated data, with breakdown by geographic location of the relevant issuer or instrument/transaction:

    - Number of total outstanding ratings at the end of each reporting period;
    - Number of new ratings;
    - Number of ratings withdrawn;
    - Number of ratings downgrades;
    - Number of ratings upgrades;
    - Number of ratings with deteriorated outlook/watch status;
    - Number of ratings with improved outlook/watch status.

    b. Number of ratings transitions: number of ratings which moved from one category (e.g. AA, BBB, etc.) to another category, including breakdown by rating type.

4. The impact on CRAs

COSTS

20. In general, CRAs have highlighted concerns regarding the risk of duplication of the obligations which they have to fulfil in respect of reporting to the Central Repository (CeRep) established by ESMA, in accordance with Article 11(2) of the Regulation.

21. CRAs have emphasized the burden linked to the monthly frequency of the proposed reporting mechanism, querying ESMA's capacity for analysing the large volume of data which would originate from monthly submissions. It has been stressed, in fact, that ESMA could integrate the semi-annual data provided by the CeRep through specific requests of information pursuant to Article 23(b) of the Regulation. In addition, some of the responses to the Call for Evidence suggested ESMA to obtain up-to-date data by simply accessing the information that CRAs post on their websites or make available to subscribers or, to the public, through information providers.

22. However, CRAs have broadly confirmed their capability to manage the delivery of the flows of information required under the proposed reporting requirements, albeit with some adjustments to their systems.

23. Some respondents to the Call for Evidence have expressed preference for the proposal consisting in the reporting to ESMA of ratings data in aggregate form (Option 2). It has been claimed that this option would be better aligned with ESMA's overall objectives, as it would offer the opportunity to ESMA's Staff to act more efficiently, focusing on systemic trends and issues.

24. In terms of costs, the preference for Option 2 has been claimed on the basis of the savings that it would offer because of the possibility to leverage the development of system architectures and business logics on the solutions adopted for the CeRep, as the data to be extracted would be rather similar. This would not occur with the same intensity under Option 1.

25. The indications of the lower costs of Option 2 with respect to Option 1, however, remain rather vague, as those who explicitly favoured Option 2 did not provide estimates of costs to substantiate their positions, while all respondents that have presented cost figures did not report any distinctions between the two options. Actually, some responses indicated an increase of operating costs, to aggregate the data, under Option 2 as opposed to Option 1 (one respondent quantified this impact as an additional 10% of ongoing costs to create the aggregates).

Fixed IT costs

26. All respondents reported the necessity to adjust their technical infrastructures in order to meet the reporting requirements prospected in the Call for Evidence. In addition to the software innovations needed to automatise the submission of more frequent reports (partly) different from the existing CeRep files, CRAs claimed they should incur significant IT costs in order to reconcile and connect their databases, as the required data points appear to be currently tracked for different purposes, thus, at different levels within the organizations and through different tools.

27. CRAs of different size, organization and complexity have provided different estimates of the technical investments required in light of the proposed reporting requirements. However, the responses have confirmed that these expenses would mainly be fixed one-off costs, with limited implications in terms of ongoing costs associated to the maintenance of the concerned IT architectures of the firm.[1]

28. The figures provided by CRAs on the needed IT updates varied in the region of € 10,000 - 40,000, with the smaller entities predicting about 20 man-hours to set up the systems, while the costs reported by larger CRAs range up to €70,000-125,000.

Ongoing compliance costs

29. The responses to the Call for Evidence highlighted that, depending on the different scale, type and sophistication of the rating activities conducted by the CRAs, the number of rating actions that could be reported (or elaborated for the reporting) to ESMA may, on the average, range between 800 and 5,000 per month.

30. As regards the resources possibly absorbed by the various tasks (IT, administration and compliance) involved in the reporting, the contributions to the Call for Evidence have indicated an impact of between 9 and 12 man-days per month for medium/large CRAs, which may imply an ongoing cost of up to € 50,000 per year for large CRAs. In any case, the burden would be substantially lower (down to one man-hour per month) for small local agencies.

Overall assessment of costs for CRAs

[1] However one respondent claimed an IT maintenance cost of € 8,000-10,000 per year.

31. On the basis of the arguments illustrated above, it can be concluded that the overall cost impact on CRAs of the proposed ratings data reporting requirements is:

i) medium for Option 1; provided that the data to be reported may require an adjustment of the IT infrastructures and procedures needed to track the relevant records; and,

ii) low for Option 2; under the assumption that the systems and routines to retrieve and elaborate the data to be submitted to ESMA would imply relatively simple improvements of those already existing for reporting to the CeRep.

Costs for CRAs	
Option 1: analytical data	**Option 2: aggregate data**
✔✔	✔

BENEFITS

Reputational gains

32. Public recognition of more effective supervision of rating activities should reinforce confidence in the quality of the ratings. Having in mind that the receiving of periodic ratings data may be perceived as a sign of closer supervision from ESMA, the Call for Evidence has posed questions to CRAs on the possibility that the mentioned reporting requirement may eventually generate positive reputational effects for the benefit of the same CRAs.

33. CRAs, however, have demonstrated minor or no interest for the arguments above, denying generically the possibility of any benefits from the proposed reporting requirement in addition to those already existing for the CeRep. Some responses have in fact stressed on the role of the regulatory action in promoting the transparency and integrity of the rating process. This role has been claimed to be validly supported by the public disclosure of CRAs' ratings performance through the CeRep, but it would not be improved from requiring any additional reporting of ratings data to ESMA.

34. Some responses have spotted opposite effects in terms of reputational effects, claiming that monthly reporting requirements may be perceived as an element of threat for the independence of credit ratings. In fact, CRAs may be seen as increasingly exposed to pressure from ESMA in front of normal volatility of monthly ratings data.

Improvement of exchange of information with ESMA

35. The Call for Evidence included questions on the possible improvements of the interaction between ESMA and CRAs that would follow the adoption of the proposals on periodic reporting of ratings data.

36. The questions in the Call for Evidence intended to cover the possible advantages stemming from a more efficient (continuous and standardized) exchange of information

between the regulator and the regulated entities. These benefits may encompass, for instance, the lower costs due to the reduction of the specific requests of information that, in absence of periodic reporting, CRAs may frequently receive. In addition, the questions in the Call for Evidence introduced the general point of the benefits linked to the decrease of legal and operational risks towards stakeholders (regulators, clients and investors) as a consequence of the improvement of the ongoing monitoring of rating activities from supervisors.

37. Respondents did not manifest particular interest in the questions introduced above, or dissented with the views suggested thereof. Few comments, on the contrary, stressed on opposite aspects, focusing on the risk of a more burdensome interaction between CRAs and ESMA, as CRAs may have to commit more resources to provide frequent clarification to ESMA on explainable volatility of monthly ratings data.

Overall assessment of benefits for CRAs

38. From the considerations above, it should be concluded that the overall benefits for the CRAs from the proposed reporting requirements are expected to be very limited under both Option 1 and Option 2. However, a (perhaps marginal) distinction should be drawn between the two options, as periodic analytical reporting may reduce more significantly the number of requests of information to be addressed to CRAs, improving (at least in part) the efficiency of the interaction with ESMA.

Benefits for CRAs	
Option 1: analytical data	**Option 2: aggregate data**
✓	-

5. The impact on ESMA

COSTS

IT costs

39. The ratings data reported by the CRAs will be submitted to ESMA through a secure interface, and will be stored, maintained and processed automatically by its internal databases and systems, which should include a platform encompassing tools and applications available for supervisory analysis. In light of the confidentiality of the information processed, the system should meet a high level of security and would have to be entirely dedicated to, and only accessible by, the Staff of ESMA in charge of supervision of CRAs.

40. The resources to cover the IT developments needed for the acquisition and treatment of the data have been fully budgeted by ESMA. Nonetheless, ESMA should seek to exploit the maximum possible economies of scope with the CeRep project, which has reached its final stage (about to enter in production). Contrarily to what assumed by some respondents to Call for Evidence, ESMA may secure greater synergies with the CeRep project by exploring the route consisting in the collection of analytical data on rating actions, as also the CeRep is fed with raw data points and computes on its

own queries and elaborations of the data. Therefore, the designing of the logical architecture and the realization of the systems and applications required under Option 1 would substantially benefit from the previous experience of the CeRep.

Ongoing supervisory costs

41. The analysis of analytical data is likely to require ESMA, at least initially, more effort and time than the monitoring of aggregate measures and statistics. From this perspective, as also remarked by some respondents to the Call for Evidence, the solution foreseen in Option 2 may allow to free resources for other supervisory tasks (analysis of processes and of general compliance), diminishing the opportunity costs linked to data mining and processing.

42. However, diversion of resources may also occur in case of reporting in the aggregate form envisaged by Option 2, as in absence of the specific details needed for the supervisory assessments, ESMA may have to dedicate resources to dig into data provided, for totally different purposes, by third entities (public sources, information providers ect.).

43. In addition, the use of specific requests of information, to fill the gaps linked to the availability of only aggregate data concerning ratings, may slow the activities of ESMA and bring losses of timeliness (supervisory opportunity costs) in analysing the relevant information.[2]

Legal and reputational risks

44. Access to loads of analytical data on rating actions can be perceived as a source of potential legal and reputational risk for ESMA. These risks would be mainly linked to the obligation for ESMA to ensure appropriate and continuous monitoring and processing of a substantial deal of information, which would follow from the establishment of reporting requirement of great level of granularity. Furthermore, the confidentiality of this information should be strictly guaranteed.

45. Similar arguments, however, may also regard Option 2. In fact, if by focusing on aggregate data ESMA failed to notice warnings visible from individual rating actions, it would be probably incur comparable legal and reputational effects. Actually, the main determinants of legal and reputational risks appear to be linked to the expectations of external stakeholders or to the general obligations that the Authority must discharge; these determinants are unlikely to change materially depending on the type of ratings data possessed by ESMA under the two options considered.

Overall assessment of costs for ESMA

46. The total costs for ESMA linked to the implementation of systems and procedures to receive and process the periodic data submitted by CRAs cannot be easily differentiated between the two options proposed. These costs appear to be deeply intertwined with the general costs of supervision that ESMA must support to fulfil its obligations. However, some ongoing components (including reputational costs) may be higher under Option 1 and, as a consequence, it can be concluded that the impact for ESMA is:

    i. low/medium for Option 1; and

[2] In addition, the discontinuity of the flaws of granular data on ratings/rating actions which ESMA would receive through specific *ad-hoc* requests may not facilitate an appropriate consolidation within its Staff of the skills and competences needed to process this type of data when they are received.

ii. low for Option 2.

Costs for ESMA	
Option 1: analytical data	**Option 2: aggregate data**
✔✔	✔

BENEFITS

Effectiveness and timeliness of the supervisory process

47. In general, receiving monthly reporting of ratings data should allow ESMA to conduct more effective supervision of CRAs. The type of assessments that may be based on those data, however, may partly differ between the two options considered.

48. Aggregate data on ratings would in fact facilitate the analysis of trends and general dynamics of the rating activities, while the analytical data may allow a more in depth analysis of individual rating actions. The presence of granular data in its databases, however, could allow ESMA to set up programmes to calculate, in automatic, statistics and synthetic indicators similar, and probably more comprehensive, to the aggregate measures that would be received following Option 2. Moreover, ESMA would retain control of the computation of those statistics and indicators, without having to rely on the assumptions and criteria used by the CRAs, or without being affected from their possible mistakes.

49. The flexibility offered by the availability of analytical data on rating actions can foster a more interactive and consistent supervisory process within ESMA. If the records set out in Option 1 were tracked into the systems of ESMA, it would be possible to imagine how these data could support a relatively broad range of supervisory assessments, as signals originated by rating actions may provide inputs to analysis concerning compliance in very different areas, such as disclosure an presentation of credit ratings or management of conflicts of interests. From this perspective, the aggregate data do not seem to offer the same opportunities, as the information which they may capture and convey to ESMA appears to be more general (trends and general dynamics of rating types) and, as a consequence, of a more limited use.

50. Access to up to date information and data can play a key role in determining the velocity of the supervisory action in critical circumstances. A monthly reporting frequency appears to strike a correct balance between the need for ESMA to discharge effectively its obligations and the necessity to ensure the technical and economic practicability of the reporting, as already experienced in other fields of financial legislation.

51. The analytical data indicated in Option 1 has the potential to convey a high number of warnings to ESMA, placing it in the condition to react quickly when it is needed. However, this would also require a solid capacity to discriminate among the many signals received and to appropriately filter the information as to prioritise the scrutiny of the more urgent issues.

52. ESMA should aim at achieving timeliness and efficacy of its intervention. Monthly reporting, in particular of the data collected under Option 1, is expected to contribute significantly to ensure that speed and breadth of ESMA's action are linked together, finding common ground in the ability to intercept signals or anomalies across the different rating activities. The range of information received through analytical data on rating actions may foster prompt supervisory review concerning different areas, providing precise indications that may be diluted in aggregate data.

<u>Protection of investors and quality of credit ratings</u>

53. Receiving periodic analytical data on rating actions should entail the possibility to perform a more extensive oversight of credit rating activities. For instance, ESMA may access information (directly from the reporting system or by crossing data - as individual ratings would be identified-with the CeRep) on the type of underlying assets involved by actions on structured finance ratings, or identify precisely the issuers or instruments subject to some rating actions. This can reinforce the incentives for CRAs to verify the accuracy and consistency of their ratings, functioning as a safeguard for the quality of the credit assessments. These points have been echoed in the responses provided by the (institutional) investors' representatives that have contributed to the Call for Evidence.

<u>Overall assessment of benefits for ESMA</u>

54. In light of the elements considered above, it can be concluded that the overall benefits for ESMA linked to the proposals relating to the reporting requirements for CRAs are:

i) high in case of Option 1, and

ii) low/medium in case of Option 2, given the less flexible use of aggregate data for supervisory purposes.

Benefits for ESMA	
Option 1: analytical data	**Option 2: aggregate data**
✓✓✓	✓✓

6. The impact on users of ratings

COSTS

<u>Impact on cost and availability of ratings</u>

55. The banking and issuers associations which responded to the Call for Evidence have expressed concerns that, in general, higher administrative burdens for credit rating agencies may determine higher fees for issuers or investors. They have claimed that the cost of certain ratings (in particular on structured finance products) had already started rising, with impact on the profitability of some operations, which, in turns, means less funding and investment opportunities.

56. Having in mind the degree of concentration of the rating industry, it is indeed possible that the compliance costs introduced by the Regulation are in part passed on to investors. However, it remains

difficult to understand the extent to which this argument could apply to the specific subject discussed, as the marginal contribution of the reporting requirements to the general compliance costs introduced by the Regulation appears to be limited.

57. In addition, the cost of the reporting should, on the overall, fulfil the proportionality principle – increasing with the size and complexity of the CRA- in respect of both its fixed and ongoing components. As a consequence, the introduction of reporting requirements should not contribute to alter, to a further extent, the competitive conditions in the rating industry, and should not affect the availability and composition of ratings on the market.

58. Furthermore, respondents have shown beliefs that, once the reporting mechanism is consolidated and standardized, the additional compliance costs originated by the reporting requirements should gradually decrease, as the proximity in time between the adoption of the actions and the delivery of the information to ESMA should make the relevant data readily available to the CRAs.

Overall assessment of costs for users of ratings

59. In light of the arguments discussed above, it can be concluded that the overall cost impact on users of ratings linked to the proposed periodic reporting requirements is low in both options.

Costs for users of ratings	
Option 1: analytical data	**Option 2: aggregate data**
✓	✓

BENEFITS

Quality of the credit ratings

60. The responses to the Call for Evidence have shared consensus regarding the possible improvements for supervision by ESMA that may follow the establishment of appropriate period reporting channels from CRAs. In particular, the respondents stressed on the improvements that would follow if ESMA used analytical data on rating actions to strengthen oversight not only on rating processes and decisions, but also on the level of compliance from CRAs with the rules concerning the presentation of credit ratings and communication with investors and issuers.

61. Respondents have expressed positive expectations concerning the fact that the availability of analytical data on rating actions may put ESMA in the condition to ensure more effective enforcement of the requirements set out for rating methodologies by Article 8(3) of the Regulation. Eventually, this should increase the quality of the ratings and enhance the efficiency and integrity of the market.

Overall assessment of benefits for users of ratings

62.From the arguments above, it can be concluded that the impact in terms of benefits for the users of ratings of the proposals concerning the reporting requirements for CRAs is:

iii) high in case of Option 1, and

iv) low/medium in case of Option 2, as information on specific rating types or actions, or concerning communication with investors and issuers, could not be captured from aggregate data.

Benefits for users of ratings	
Option 1: analytical data	**Option 2: aggregate data**
✔✔✔	✔✓

7. Summary of the Impact Assessment

63.This section illustrates a summary of the impact assessment concerning the proposals analysed in respect of the periodic reporting requirements that may be imposed on credit ratings agencies.

64.The analysis presented in the previous sections has addressed the impact on stakeholders (CRAs, ESMA and users of ratings) from the point of view of the costs and benefits that would be brought to them from the establishment of monthly ratings data reporting requirements for CRAs. The impacts are measured by the number of ticks in the tables illustrated in the previous paragraphs.

65.Those measures must be now aggregated across stakeholders, in order to obtain single summary figures of the costs and benefits under the different proposals. This calculation is carried out using the weights presented in paragraph 15, in order to adequately reflect the relative importance of the different stakeholders in the assessment of the overall costs and benefits for the economic system.

66.From the comparison in the table below, it appears clear that the overall cost linked to reporting of analytical data on rating actions is expected to be higher than the one associated to the reporting of aggregate data. This is mainly because the initial impact relating to the procedures and technical infrastructures that CRAs would need to set up to track the records required under Option 1 is anticipated to be more significant than the cost of collecting and filing aggregate data on ratings.

67.Once the reporting routines are established and automatised, the ongoing compliance costs for CRAs should sensibly diminish overt time under both the proposals considered. However, it can be concluded that a (marginal) additional cost, from extracting, verifying and processing the analytical data, would still persist over time in respect of Option 1, as opposed to Option 2, for both ESMA and the CRAs.

Calculation of the overall impact of the costs of the reporting requirements						
Stakeholders		**CRAs**	**ESMA**	**Users of ratings**	**Aggregation of costs**	**Overall Impact**
<u>Option 1</u> <u>(analytical data)</u>	**Cost**	✔✔	✔✓	✔	✔✓	**Low/Medium**
	Weight	**60%**	**20%**	**20%**		
Option 2	**Cost**	✔	✔	✔	✔	**Low**

	Weight	**60%**	**20%**	**20%**		

68. As for the benefits, the table below illustrates a different situation. The solution regarding the analytical reporting of rating actions neatly prevails over the proposal that encompasses aggregate data. The comparative advantage of Option 1 derives fundamentally by the granularity of the information to be reported. This includes details of the rating actions which can be used to support a broad set of supervisory assessments, for which these data would provide precise and timely indications.

69. The improvement of the effectiveness of the supervisory action from ESMA that is anticipated under Option 1 may have important implications for the overall efficiency and integrity of the market. In fact, ESMA's access to periodic analytical data on rating actions may also reinforce the incentives for CRAs to verify the accuracy and consistency of their ratings, improving the quality of the rating process.

Calculation of the overall impact of the benefits of the reporting requirements						
Stakeholders		**CRAs**	**ESMA**	**Users of ratings**	**Aggregation of benefits**	**Overall Impact**
Option 1 (analytical data)	**Benefits**	✓	✔✔✔	✔✔✔	✔✔✔	**High**
	Weight	**10%**	**45%**	**45%**		
Option 2 (aggregate data)	**Benefits**	-	✔✓	✔✓	✔✓	**Low/Medium**
	Weight	**10%**	**45%**	**45%**		

70. In conclusion, the analysis conducted in this Impact Assessment assigns preference to the solution represented by Option 1, which requires periodic reporting of analytical data on individual rating actions. The conclusion reflects the relative advantage from the benefits side which follows Option 1; this advantage is not compensated by an equivalent gain deriving from the lower costs under Option 2.

SUMMARY OF THE IMPACT ASSESSMENT		
	COSTS	**BENEFITS**
Option 1 (analytical data on ratings actions)	Low/Medium	High
Option 2 (aggregate data on ratings)	Low	Low/Medium

Annex II

Draft Regulatory Technical Standards

2012/[...] (COD)

COMMISSION DELEGATED REGULATION (EU) No [.../2012]

OF [...]

supplementing Regulation (EC) No 1060/2009 of the European Parliament and of the Council with regard to regulatory technical standards on the content and format of the ratings data periodic reporting to be submitted to the European Securities and Markets Authority by credit rating agencies

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union;

Having regard to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on Credit Rating Agencies,[3] and in particular Article 21(4)(e) thereof;

Whereas:

1. Article 21(4)(e) of Regulation (EC) No 1060/2009 requires the European Securities and Markets Authority (ESMA) to submit by 2 January 2012 draft regulatory technical standards to be endorsed by the Commission concerning the content and format of the ratings data that credit ratings agencies should periodically report to ESMA. The purpose of this periodic reporting is to allow ESMA to discharge its responsibility with regard to the ongoing supervision of credit rating agencies, as established by Article 21(1) of that Regulation.

2. In addition to receiving details of rating activities including internal reports and updates, ESMA should be able to address, where necessary and appropriate, specific requests of information to credit ratings agencies, in accordance with Article 23b of Regulation (EC) No 1060/2009.

[3] OJ L 302, 17.11.2010, p. 1.

3. Ratings data should allow ESMA to supervise closely the conduct and activities of credit rating agencies, so as to be able to react promptly in case of actual or potential breaches of the requirements of Regulation (EC) No 1060/2009. For this reason, ratings data should be reported to ESMA on a monthly basis.

4. The data to be reported should be compiled in a standard format to allow ESMA to receive and process the records automatically in its internal systems. Due to technical progress over time, a number of technical details concerning the transmission or the format of the files to be submitted by credit rating agencies may have to be adjusted or clarified by ESMA through specific communications or guidelines (reporting instructions).

5. The reporting requirements established in this Regulation should apply to credit rating agencies registered in the Union in accordance with Title III Chapter 1 of Regulation No (EC) No 1060/2009, and to those established in third countries that are certified in accordance with Article 5 of that Regulation. The data to be reported to ESMA regard the actions taken in respect of the credit ratings issued or endorsed in the Union, or those concerning credit ratings issued in third countries by certified credit rating agencies.

6. Credit rating agencies that are part of a group should be able to either report their ratings data separately to ESMA, or mandate one of the other agencies within the group to submit the data on behalf of all group members that are subject to the reporting requirements.

7. This Regulation is based on the draft regulatory technical standards submitted by ESMA to the Commission, in accordance with Article 10 of Regulation (EU) No 1095/2010. ESMA has conducted an open public consultation on the draft regulatory technical standards on which the Regulation is based during September 2011 and requested the opinion of the Securities and Markets Stakeholder Group established by Article 37 of Regulation (EU) No 1095/2010. Prior to the public consultation, ESMA has launched a call for evidence in May 2011 proposing different options for the ratings data to be periodically collected from credit rating agencies; the responses received to this call for evidence have formed the basis for the cost-benefit-analysis conducted by ESMA.

HAS ADOPTED THIS REGULATION:

Article 1

Subject matter

This Regulation sets out the content and format of ratings data periodic reporting to be requested from the credit rating agencies for the purpose of ongoing supervision by the European Securities and Markets Authority (ESMA), in accordance with Article 21(4)(e) of Regulation (EC) No 1060/2009.

Article 2

Scope

This Regulation applies to credit rating agencies registered in accordance with Title III Chapter 1 of Regulation (EC) No 1060/2009 or certified in accordance with Article 5 if that Regulation.

Article 3

Reporting principles

1. Credit rating agencies shall comply with the reporting requirement established by this Regulation until withdrawal of their registration or certification. They shall be responsible for the accuracy and completeness of the data reported to ESMA.

2. In case of a group of credit rating agencies, the members of the group may mandate one of their number to submit the required data on behalf of the group. Each reporting credit rating agency shall be identified in the data submitted to ESMA.

3. Each reporting shall cover a period of a month. The data relating to each reporting period shall be submitted to ESMA by the fifteenth calendar day of the month following each reporting period. The first reporting period shall cover the period from the date of entry into force of this Regulation, or from the date of registration or certification if registration or certification occurs after the date of entry into force of this Regulation, to the end of the following month.

4. Credit rating agencies shall immediately notify ESMA of any exceptional circumstances that may temporarily prevent or delay their reporting in accordance with this Regulation.

Article 4

Data to be reported

1. At the end of the first reporting period, a credit rating agency shall include in its reporting to ESMA the qualitative data specified in Table 1 of the Annex. Where those data change during a subsequent reporting period, the new data shall be submitted to ESMA.

2. Credit rating agencies shall provide the data set out in Table 2 of the Annex regarding each action indicated in that Table. The actions to be reported shall refer to credit ratings issued or endorsed by the credit rating agency.

3. Without prejudice to paragraph 1, where no action specified in Table 2 has occurred during a reporting period, the credit rating agency is not obliged to submit data for that period.

4. The data set out in Table 1 and Table 2 of the Annex shall be submitted to ESMA in separate files. The qualitative data specified in Table 1 shall be submitted prior to the data set out in Table 2.

Article 5

Rating types

1. A credit rating agency shall indicate the rating type concerned by the action to be reported in accordance with the following classification:

(a) corporate ratings;

(b) structured finance ratings;

(c) sovereign and public finance ratings;

(d) covered bond ratings.

2. Structured finance ratings refer to a financial instrument or other assets resulting from a securitisation transaction or scheme referred to in Article 4(36) of Directive 2006/48/. A credit rating agency shall classify structured finance ratings to one of the following asset classes for reporting purposes:

(a) Asset-backed securities. This asset class includes the sub-asset classes auto/boat/airplane loans, student loans, consumer loans, health care loans, manufactured housing loans, film loans, utility loans, equipment leases, credit card receivables, tax liens, non-performing loans, credit-linked notes, recreational vehicle loans, and trade receivables.

(b) Residential mortgage-backed securities. This asset class includes the sub-asset classes prime and non-prime residential mortgage-backed securities and home equity loans.

(c) Commercial mortgage-backed securities. This asset class includes the sub-asset classes retail or office property loans, hospital loans, care residences, storage facilities, hotel loans, nursing facilities, industrial loans, and multifamily properties.

(d) Collateralised debt obligations. This asset class includes the sub-asset classes collateralised loan obligations, credit backed obligations, collateralised synthetic obligations, single-tranche collateralised debt obligations, credit fund obligations, collateralised debt obligations of asset-backed securities, and collateralised debt obligations of collateralised debt obligations.

(e) Asset-backed commercial papers.

(f) Other structured finance instruments that are not included in the preceding asset classes, including structured covered bonds, structured investment vehicles, insurance-linked securities and derivative product companies.

3. Covered bond ratings refer to covered bonds which are not included in the list of asset classes regarding structured finance ratings set out in Paragraph 2.

Article 6

Reporting procedure

1. Credit rating agencies shall submit data files in XML format compliant with the schemes provided by ESMA. They shall name the files according to the naming convention indicated by ESMA.

2. Credit rating agencies shall store the files sent to and received by ESMA in electronic form for at least five years. These files shall be made available to ESMA on request.

3. For each data file reported to ESMA, credit rating agencies shall receive a feedback file either confirming that the file has been received and loaded correctly or informing it about detected errors. Where an error has been detected, the credit rating agency shall send corrections in due time as follows:

(a) in the case of a file error, the credit rating agency shall correct the error as indicated in the feedback file and resend the whole file again;

(b) in the case of a content error, the credit rating agency shall correct the error as indicated in the feedback file and shall resend only the corrected records.

4. In case of factual errors identified in the data that has been reported, credit rating agencies shall report the cancellation of that data and shall replace the cancelled data.

5. For cancellation of data credit rating agencies shall send to ESMA a file including the fields specified in Table 3 of the Annex. Once the original record has been cancelled, the credit rating agencies shall send a new version of the record by using a file including the fields specified in Table 1 or Table 2.

Article 7

Entry into force

This Regulation shall enter into force on the sixtieth day following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [...].

[For the Commission
The President]

[For the Commission
On behalf of the president]
[Position]

____

ANNEX

Table 1, Table 2 and Table 3 in this Annex include technical fields, which identify the reporting action as such and shall be included only once in the data files, as well as business fields, that correspond to the records to be included in the data files ,where applicable. For each action which is subject to reporting.

Table 1: Qualitative data for the first reporting and subsequent updates

Technical fields to be always included only once in the qualitative data file				
No.	**Field identifier**	**Description**	**Type**	**Standard**
1	Version	The version of the XML Schema Definition (XSD) used to generate the file.	Mandatory.	Shall be the exact version number.
2	Creation date	The date at which the file was created.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD).
3	Creation time	The time at which the file was created. It shall be reported in the local time of the credit rating agency generating the file and expressed as Coordinated Universal Time (UTC) +/- hours.	Mandatory.	ISO 8601 Time Format (HH:MM:SS).
4	Creation time offset	Indicates that a local time offset for the creation of the file was used HH ahead or behind UTC. Separated subfield with values (+/-) HH, which shall be adjusted for summer time.	Mandatory.	--
5	CRA unique identifier	Code used internally by the system to identify the credit rating agency. Must be the Business Identifier Code (BIC) of the credit rating agency sending the file.	Mandatory.	ISO 9362.
6	Reporting period	Identifies the reporting period of the file. It corresponds to the date of the beginning of the relevant month.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD).
7	Number of records	Total amount of records in the file.	Mandatory.	--

Business fields to be included where applicable and as many times as necessary in the qualitative data file				
No.	**Field identifier**	**Description**	**Type**	**Standard**
8	CRA Name	Name of the credit rating agency. It shall correspond to the name used by the credit rating agency in the registration or certification process, or subsequently notified to ESMA. In case one member reports for the whole group it shall be the name of the group of credit rating agencies.	Mandatory for initial reporting or in case of changes.	--
9	Solicited and unsolicited ratings policy	Description of the credit rating agency's policy on solicited and unsolicited ratings.	Mandatory for initial reporting or in case of changes.	--
10	Solicited and unsolicited ratings policy validity date	The date from which the solicited and unsolicited ratings policy starts being valid. For the first reporting it can be the date of entry into force of this Regulation, or the date of registration or certification if later.	Mandatory if the "solicited and unsolicited ratings policy" is reported.	ISO 8601 Date Format (YYYY-MM-DD).
11	Rating scale identifier	Identifies uniquely a specific rating scale of the credit rating agency.	Mandatory for initial reporting or in case of changes.	--
12	Rating scale validity date	The date from which the rating scale starts being valid. For the first reporting it can be the date of entry into force of this Regulation, or the date of registration or certification if later.	Mandatory if 'rating scale identifier' is reported.	ISO 8601 Date Format (YYYY-MM-DD).
13	Time horizon	Identifies the time horizon referred to by the rating scale.	Mandatory if 'rating scale identifier' is reported.	– 'L' in case the rating scale is applicable to long term ratings; – 'S' in case the rating scale is applicable to short term ratings.
14	Rating type	Identifies the type of rating	Mandatory if 'rating scale	– 'C' in case the rating scale is applicable to

		referred to by the rating scale.	identifier' is reported.	corporate ratings; – 'S' in case the rating scale is applicable to sovereign & public finance ratings; – 'T' in case the rating scale is applicable to structured finance ratings. – "B" in case the rating scale is applicable to covered bonds different from structured finance instruments.
15	Rating category label	Identifies a specific rating category within the rating scale.	Mandatory if 'rating scale identifier' is reported.	– --
16	Rating category description	Definition of the rating category in the rating scale.	Mandatory if 'rating scale identifier' is reported.	– --
17	Rating category value	Order of the rating category in the rating scale, considering notches as subcategories.	Mandatory if 'rating scale identifier' is reported.	– The ordinal is an integer value with minimum value 1 and a maximum value of 20. The declaration of the rating categories values must be consecutive. There must be as a minimum one rating category for each rating.
18	Notch label	Identifies a specific notch within the rating scale. Notches provide additional detail to the rating category.	Mandatory if a notch is included in the rating scale for which a 'rating scale identifier' is reported.	--
19	Notch description	Definition of the notch in the rating scale.	Mandatory if a notch is included in the rating scale for which a 'rating scale identifier' is reported.	--

20	Notch value	Order of the notch in the rating scale. The notch value is the value that is assigned to each rating.	Mandatory if a notch is included in the rating scale for which a ‘rating scale identifier’ is reported.	The notch value is an integer with minimum value 1 and a maximum value of 99. Values provided must be consecutive.

Table 2: Data to be reported to ESMA

No.	Field identifier	Description	Type	Standard
Technical fields to be always included only once in the data file				
1	CRA unique identifier	Code used internally by the system to identify the credit rating agency. Must be the Business Identifier Code (BIC) of the credit rating agency sending the file.	Mandatory.	ISO 9362.
2	Version	The version of the XML Schema Definition (XSD) used to generate the file.	Mandatory.	Shall be the exact version number.
3	Creation date	The date at which the file was created.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD).
4	Creation time	The time at which the file was created. It shall be reported in the local time of the credit rating agency generating the file and expressed as Coordinated Universal Time (UTC) +/- hours.	Mandatory.	ISO 8601 Time Format (HH:MM:SS).
5	Creation time offset	Indicates that a local time offset for the creation of the file was used HH ahead or behind UTC. Separated subfield with values (+/-) HH, which shall be adjusted for summer time.	Mandatory.	--
6	Reporting period	Identifies the reporting period of the file. It corresponds to the date of the beginning of the relevant month.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD).
7	Number of records	Total amount of records in the file.	Mandatory.	--
Business fields to be included where applicable and as many times as necessary in the data file				
No.	**Field identifier**	**Description**	**Type**	**Standard**
8	Action type	Identifies the type of action carried out by the credit rating agencies in respect of a specified rating.	Mandatory.	-"NR", in case the rating is issued for the first time; -"UP", in case the rating is upgraded; -"DG", in case the rating is downgraded;

				-"WD", in case the rating is withdrawn; -"AF", in case the rating is affirmed; -"WA", in case the rating is placed to or removed from the "watch" status; -"OT", in case the rating is assigned an outlook; -"OB," in case the rating is placed to or removed from observation; -"SU", in case the rating status changes from solicited to unsolicited and viceversa; -"DF", in case a rated issuer or instrument is assigned to or removed from default.
9	Outlook/Trend	Identifies the outlook/trend assigned to a rating by the CRA according to its relevant policy.	Mandatory. Applicable only in case the action type reported is "OT".	- 'POS' in case of a positive outlook; - 'NEG' in case of a negative outlook; - 'EVO' in case of an evolving or developing outlook; - 'STA' in case of a stable outlook.
10	Watch	Identifies the watch status assigned to or removed from a rating by the CRA according to its relevant policy.	Mandatory. Applicable only in case the action type reported is "WA".	- 'POW' in case of a positive watch; - 'NEW' in case of a negative watch; - 'EVW' in case of an evolving or developing watch; - 'UNW' in case of a watch with uncertain direction; - 'RMW' in case of removal from watch.
11	Observation	Identifies that a rating has been placed under observation or removed from the observation status because of regulatory	Mandatory. Applicable only in case	- '1' in case the CRA places the rating on observation in

		review. If the rating is assigned a watch status as a consequence of a regulatory review, the placement of that rating under observation shall also be reported as a separate action.	the action type reported is "OB". -	accordance with Article 8(6) of Regulation (EC) No 1060/2009; - '2' in case the CRA places the rating on observation following departure of a rating analyst in accordance with Section C(6) of Annex I of Regulation (EC) No 1060/2009; - '3' in case the CRA places the rating on observation following the discovery of the circumstances set out in Section C(2) of Annex I of Regulation (EC) No 1060/2009; - '4' in case the CRA places the rating on observation following the discovery of the circumstances set out in Section B(3) of Annex I of Regulation (EC) No 1060/2009; - '9' in case the CRA removes the rating from being under observation.
12	Responsible CRA unique identifier	Business Identifier Code (BIC) of the entity responsible for the action, i.e. in case of: – a rating issued in the EU, the registered credit rating agency that has performed the action; – an endorsed rating, the third country credit rating agency that has performed the action; – a rating of a certified credit rating agency, the certified entity.	Mandatory.	ISO 9362.
13	Rating identifier	Unique identifier of the rating, which shall be maintained unchanged over time.	Mandatory.	--

14	Rating value	Identifies the value of the rating after the action.	Mandatory for the first time a ‘ rating identifier’ is reported or in case of the following actions; – ‘NR’ – ‘UP’ – ‘DG’	--
15	Previous rating value	Identifies the value of the rating before the action.	Mandatory for the first time a “rating identifier” is reported and the action type reported is different from ‘NR’.	--
16	Rating scale identifier	Identifies uniquely the scale of the rating.	Mandatory for the first time a ‘rating identifier’ is reported and in case of changes. Applicable only in case more than one rating scale identifier correspond to a rating type.	--
17	Lead Analyst	Full name of the lead analyst responsible for the rating.	Mandatory for the first time a ‘rating identifier’ is reported and in case of change.	--
18	Country of the Lead Analyst	Identifies the country of the office of the lead analyst competent for the rating.	Mandatory for the first time a ‘rating	ISO 3166

			identifier' is reported and in case of change.	
19	Solicited/ Unsolicited	Status of the rating as solicited or unsolicited as resulting after the action.	Mandatory. Applicable only in case the action type reported is "SU" or the the first time a 'rating identifier' is reported.	– 'S' in case the rating is solicited; – 'U' in case the rating is unsolicited.
20	Rating Type	Identifies the type of rating as referred to by the rating scale.	Mandatory for the first time a 'rating identifier' is reported.	– 'C' in case the rating is a corporate rating; – 'S' in case the rating is a sovereign & public finance rating; – 'T' in case the rating is a structured finance rating; – "B" in case the rating refers to a covered bond that is not a structured finance instruments.
21	Country	Country code of the rated issuer or instrument.	Mandatory for the first time a 'rating identifier' is reported or in case of changes	ISO 3166-1.
22	Industry	Industry segment of the issuer.	Mandatory for the first time a 'rating identifier' is reported or in case of changes. Applicable only in case the rating type	– 'FI' in case it is a financial institution including credit institutions and investment firms; – 'IN' in case it is an insurance undertaking; – 'CO' in case it is a corporate issuer that is not considered a

			reported is "C".	financial institution or an insurance undertaking.
23	Sector	Specifies subcategories for sovereign and public finance ratings.	Mandatory for the first time a 'rating identifier' is reported or in case of changes. Applicable only in case the rating type reported is "S".	– 'FC' in case it is a sovereign foreign currency rating; – 'SL' in case it is a sovereign local currency rating; – 'SM' in case it is a sub-sovereign or municipality rating; – 'SO' in case it is a supranational organization rating; – 'PE' in case it is a public entity rating.
24	Asset class	Defines the main asset classes for structured finance ratings.	Mandatory for the first time a 'rating identifier' is reported or in case of changes. Applicable only in case the rating type reported is "T".	– 'ABS' in case it is an asset-backed security; – 'RMBS' in case it is a residential mortgage backed security; – 'CMBS' in case it is a commercial mortgage backed security; – 'CDO' in case it is a collateralised debt obligation; – 'ABCP' in case it is an asset-backed commercial paper; – 'OTH' in all other cases.
25	Sub-asset	Defines the sub-asset classes for ABS, RMBS and CDO ratings.	Mandatory for the first time a 'rating identifier' is reported or in case of changes. Applicable only in case the Asset class reported is:	For ABS: – 'CCS' in case it is a credit card receivable backed security; – 'ALB' in case it is an auto loan backed security; – 'OTH' in case it is another type of ABS. For RMBS: – 'HEL' in case it is a

			"ABS", "RMBS" or "CDO".	home equity loan; – 'PRR' in case it is a prime RMBS; – 'NRR' in case it is a non-prime RMBS. For CDO: – 'CFH' in case it is a cash flow or hybrid CDO/CLO; – 'SDO' in case it is a synthetic CDO/CLO; – 'MVO' in case it is a market value CDO.
26	Vintage year	Specifies the year of issuance of the rated instrument. It shall be maintained unchanged over time.	Mandatory for the first time a 'rating identifier' is reported. Applicable only in case the Rating type reported is "T".	--
27	Time horizon	Identifies the time horizon of the rating as referred to by the rating scale.	Mandatory for the first time a 'rating identifier' is reported.	– 'L' in case the rating is a long term rating; – 'S' in case the rating is a short term rating.
28	Seniority	Identifies the seniority of the debt class of the issuer or instrument rated.	Mandatory for the first time a 'rating identifier' is reported or in case of changes. Applicable only in case the Rating type reported is "C" or "S".	– 'SU' in case the issuer rating or the instrument rated is senior unsecured; – 'SS' in case the issuer rating or the instrument rated is senior subordinate; – 'SB' in case the issuer rating or the instrument rated is subordinated.
29	Currency	Identifies whether the rating is expressed	Mandatory for	– 'LC' in case of a local

		in respect of local or foreign currency.	the first time a 'rating identifier' is reported or in case of changes. Applicable only for issuer ratings.	currency rating; – 'FC' in case of a foreign currency rating.
30	Action validity date	The date of validity of the action. This date shall coincide with the date of publication if the action is subject to publication.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD).
31	Action validity time	The time of validity of the action. This time shall coincide with the time of publication if the action is subject to publication. It shall be expressed as Coordinated Universal Time (UTC).	Mandatory.	ISO 8601 Time Format (HH:MM:SS).
32	Communication date	The date of communication of the action to the rated entity.	Mandatory. Applicable only if the action is communicated to the rated entity.	ISO 8601 Date Format (YYYY-MM-DD).
33	Communication time	The time of communication of the action to the rated entity. It shall be expressed as Coordinated Universal Time (UTC).	Mandatory. Applicable only if the action has been communicated to the rated entity.	ISO 8601 Time Format (HH:MM:SS).
34	Adoption date	Identifies the date of adoption of the rating action. It shall coincide with the date of preliminary approval of the action if this is to be communicated to the rated entity	Mandatory if the adoption date is different from the action validity date.	ISO 8601 Date Format (YYY-MM-DD).

35	Standard instrument identifier	Unique identifier of the rated instrument. It shall be maintained unchanged over time.	Mandatory for the first time a 'rating identifier' is reported. Applicable only to ratings concerning instruments.	- "ISIN", if the rated instruments is assigned an International Securities Identifying Number (ISIN); - "CUSIP", if the rated instrument has no ISIN but is assigned a Committee on Uniform Security Identification Procedures code; - "INT", Internal Instrument Identifier, to be selected if the rated instrument has neither an ISIN nor a CUSIP code.
36	ISIN value	ISIN of the rated instrument. It shall be maintained unchanged over time.	Mandatory for the first time a 'rating identifier' is reported.	ISO 6166 code.
37	CUSIP code	CUSIP code of the rated instrument. It shall be maintained unchanged over time.	Mandatory for the first time a 'rating identifier' is reported.	9- character alphanumeric code
38	Internal Instrument Identifier	Unique code assigned by the CRA to identify the rated instrument. It shall be maintained unchanged over time.	Mandatory for the first time a 'rating identifier' is reported.	--
39	Standard issuer identifier	Unique identifier of the issuer (or the parent company of the issuer).	Mandatory for the first time a 'rating identifier' is reported or in case of changes.	- "BIC", if the issuer is assigned a Unique Business Identifier Code; - "ITR", Internal Issuer Identifier, to be selected if the issuer is not assigned a BIC code. -
40	Issuer BIC code	Unique Business Identifier Code (BIC) of the issuer.	Mandatory for the first time a 'rating identifier' is	ISO 9362 code.

			reported. Applicable only in case the Standard Issuer Identifier is reported as “BIC”.	
41	Internal Issuer Identifier	Unique code assigned by the CRA to identify the issuer. It shall contain appropriate understandable reference to the legal name of the issuer (or the parent company of the issuer).	Mandatory for the first time a ‘rating identifier’ is reported or in case of changes. Applicable only in case the Standard Issuer Identifier is reported as “ITR”.	--
42	Standard Originator Identifier	Unique identifier of the originator of the structured finance instrument (or the parent company of the originator).	Mandatory for the first time a ‘rating identifier’ is reported. Applicable only in case the Rating type reported is “T”.	- “BICO”, if the originator is assigned a Unique Business Identifier Code; - “ITRO”, Originator Internal Identifier, to be selected if the originator is not assigned a BIC code; - “MULT”, if the instrument is originated by multiple entities not controlled by the same parent company.
43	Originator BIC Code	Unique Business Identifier Code (BIC) of the originator.	Mandatory for the first time a ‘rating identifier’ is reported. Applicable only in case	ISO 9362 code.

			the Rating type reported is "T" and the Standard Originator Identifier reported is "BICO".	
44	Originator Internal Identifier	Unique code assigned by the CRA to the originator. It shall contain appropriate understandable reference to the legal name of the originator (or the parent company of the issuer).	Mandatory for the first time a 'rating identifier' is reported. Applicable only in case the Rating type reported is "T" and the Standard Originator Identifier reported is "ITRO".	--
45	Withdrawal reason	Reason in case the action reported is a 'withdrawal'.	Mandatory in case a "WD" action is reported.	– '1' in case of incorrect or insufficient information on the issuer/issue; – '2' in case of bankruptcy of the rated entity or debt restructuring; – '3' in case of reorganisation of the rated entity including the merger or acquisition of the rated entity; – '4' in case of the end of maturity of the debt obligation; – '5' in case of automatic invalidity of rating due to business model of a credit rating agency (such as expiry of ratings valid for a predetermined period); – '6' in case of end of

				rating due to other reasons.
46	Default	Identifies whether there has been a change of status of the ratings relating to the default of the issuer or instrument.	Mandatory. Applicable only in case the rated issuer or instrument is in default or has been removed from default.	– "Y" in case: i. a default has occurred according to the credit rating agency's definition of default; ii. the relevant rating has been withdrawn due to bankruptcy of the rated entity or because of debt restructuring; iii. any other instance in which the credit rating agency considers a rated entity or security as defaulted or materially impaired or equivalent. – "N" when the default status if lifted.

Table 3: List of fields for the cancellation of data

Technical fields to be always included only once in the cancellation file				
No.	**Field identifier**	**Description**	**Type**	**Standard**
1	CRA unique identifier	Code used internally by the system to identify the credit rating agency. Must be the Business Identifier Code (BIC) of the credit rating agency sending the file.	Mandatory.	ISO 9362.
2	Version	The version of the XML Schema Definition (XSD) used to generate the file.	Mandatory.	Shall be the exact version number.
3	Creation date	The date at which the file was created.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD).
4	Creation time	The time at which the file was created. It shall be reported in the local time of the credit rating agency generating the file and expressed as Coordinated Universal Time (UTC) +/- hours.	Mandatory.	ISO 8601 Time Format (HH:MM:SS).
5	Creation time offset	Indicates that a local time offset for the creation of the file was used HH ahead or behind UTC. Separated subfield with values (+/-) HH, which shall be adjusted for summer time.	Mandatory.	--
6	Number of records	Total amount of records in the cancellation file.	Mandatory.	--
Business fields to be included as many times as necessary in the cancellation file				
No.	**Field identifier**	**Description**	**Type**	**Standard**
7	Reporting period	Identifies the period in which the record to be cancelled has been reported. It corresponds to the date of the beginning of the relevant month.	Mandatory if only the record/s reported in one period must be cancelled. If this is not specified **all** records sent to ESMA corresponding to the field/s indicated in the file will be cancelled.	ISO 8601 Date Format (YYYY-MM-DD).
8	Field identifier	The field identifier of the record to be cancelled.	Mandatory.	--
9	Rating identifier	Unique identifier of the rating assigned by the credit rating agency.	Mandatory. Applicable only if	--

			the record to be cancelled is an action relating to a rating as specified in Table 2.	
10	Validity date	The date from which the record to be cancelled starts being valid.	Mandatory if only the record/s valid from a specific date must be cancelled. If this is not specified **all** records corresponding to the selected field sent to ESMA in the indicated reporting period will be cancelled.	ISO 8601 Date Format (YYYY-MM-DD).
11	Validity time	The time from which the record to be cancelled starts being valid. It shall be expressed as Coordinated Universal Time (UTC) +/- hours.	Mandatory if only the record valid from a specific time must be cancelled. If this is not specified **all** records corresponding to the selected field and valid from the indicated date will be cancelled. Applicable only if the record to be cancelled is an action relating to a rating as specified in Table 2.	ISO 8601 Time Format (HH:MM:SS).
12	Reason for cancellation	The reason why the record is cancelled.	Mandatory.	--