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Feedback document on the comments received on the two Consultation Papers on ECAIs (CP07 and CP07A)

Introduction

1. In June 2005, CEBS published its seventh consultation paper (CP07), setting out guidelines for the recognition of External Credit Assessment Institutions (ECAIs). The consultation period ended on 30 September 2005. All but one of the twenty-one responses submitted were published on CEBS' website.
2. A supplementary note (CP07A) on mapping credit assessments for securitisations and collective investment undertakings (CIUs) was published for one month's consultation on 1 November. CEBS received seven responses to the note; these were also published on CEBS' website.
3. This paper summarises the key points raised in these comments and highlights the changes CEBS has made in response to them. The final "Guidelines on the recognition of External Credit Assessment Institutions" incorporating these changes are now being published. A table setting out in more detail the comments made and CEBS' response to them is contained in this document.

General response

4. The responses to CP07 and CP07A were in general very positive. Respondents welcomed the extent to which CEBS had sought, and reflected, the involvement of market participants in formulating the guidelines presented in the consultation papers. In addition, respondents indicated their broad agreement with the approach taken by CEBS with respect to the main aspects of the proposed recognition and mapping process.
5. In particular, there was strong support for:
 - The proposal to recognise ECAIs on a group basis,

- The proposal to recognise ECAIs on the basis of their core methodologies,
 - The creation of a Common Basis Application pack to form the basis of applications,
 - The creation of a joint assessment process for applications made to more than one competent authority, and
 - The decision to adopt a mapping approach in line with that outlined in the Basel Framework.
6. There was also strong support for the approach proposed in CP07A for mapping securitisation credit assessments based on the assessment of a range of quantitative and qualitative factors. Similarly, the proposals concerning the mapping of CIU credit assessments were supported, subject to one reservation which is discussed further below.
7. CEBS notes that many of the comments run in different directions. For example, some of the comments seek greater granularity or prescriptiveness, while others seek less.¹ This reflects the diverse nature of the ECAI community and different market contexts. While a number of adjustments have been made, as discussed further below, CEBS believes that on the whole the guidelines strike the correct balance between consistency of outcome and flexibility of approach in relation to the situations of different types of ECAI. CEBS does not consider it desirable to introduce more prescriptiveness in this regard at this stage.

The joint assessment process

8. Respondents welcomed the joint assessment process. They felt that it would considerably reduce the administrative burden on ECAIs and would help improve the efficiency and consistency of the decision-making process.
9. In response to requests for further guidance on the nature of the application process e.g. the role and the way the process facilitator is appointed, CEBS notes that the role of process facilitator is intended to be purely administrative – to coordinate the process, act as the interface with the ECAI, and ultimately produce the joint assessment report. Nonetheless, the CEBS guidelines set out a number of tasks that will be entrusted to the process facilitator (see paragraph 42 of the guidelines).

¹ As an example, some ECAI respondents advocated greater reliance on an ECAI's quantitative track record, while others proposed that recognition should focus mainly on qualitative factors and on the assessment of an ECAI's methodology. Similarly, some respondents wanted ECAIs to have sole responsibility for, and control over, the information provided to competent authorities, while others believed that information should be collected by banks or competent authorities from publicly available sources, without the direct involvement of ECAIs.

10. A list of some of the factors that will be taken into consideration when choosing the process facilitator has also been included (see paragraph 41 of the guidelines). CEBS reiterates, however, that there are no hard criteria for identifying a 'lead regulator' in the context of these non-regulated entities. Accordingly, CEBS continues to emphasise a practical approach based on pragmatism and the reduction of administrative burdens.

Outcomes of the joint assessment process

11. Some respondents sought additional clarification about the scope for individual competent authorities to come to a conclusion that differs from the joint assessment.
12. The intended output of the joint assessment process as set out in paragraph 43 of the guidelines is to reach a shared view on the decision whether to recognise the ECAI in question, and, if recognition is granted, on the mapping of its credit assessments.
13. CEBS considers that the joint assessment process itself – together with the broad consensus that has been achieved among competent authorities on the criteria for recognition, the approach to mapping and the information to be provided by applicants – represents significant convergence around these issues and markedly reduces the likelihood of inconsistent outcomes.
14. The CRD requires each competent authority to make its own decision concerning the eligibility of a given ECAI. This means that competent authorities must retain the right of decision, which may, in exceptional circumstances, diverge from the shared view. CEBS considers that it is neither legally possible nor desirable to restrict this right of ultimate decision. It would not be possible, for example, to introduce a form of 'qualified majority voting' in this context, as suggested by some respondents.

Common Basis Application Pack

15. The suggested content of the Common Basis Application pack to be submitted by applicants was well received. Some respondents sought clarification on the scope for competent authorities to request supplementary information in addition to the information provided in the Common Basis Application pack.
16. CEBS expects that a well-completed application in line with the requirements of Annex I of the guidelines will provide a strong basis for the recognition process. As is normal with any application process, further clarification, demonstration, and/or discussion with the applicant may be necessary. The extent of the need for this will be agreed by supervisors as part of the joint process and communicated by the process facilitator (paragraph 42 of the guidelines).

17. However, in line with the requirement for each competent authority to reach its own final decision, each competent authority retains the right to request further information on country-specific issues. Given the degree of convergence achieved on the recognition criteria and on the contents of the application pack, CEBS expects that the need for such additional information will be the exception.
18. Respondents raised the issue of the timeline for information submissions for recognition and for the assessment process undertaken by competent authorities. As noted in the CEBS press release of 1 November 2005, CEBS has finalised these guidelines in order to allow competent authorities who wish to do so to commence informal recognition by the beginning of February. Interested parties should consult the competent authorities for details on when and where to submit application packs.

Common understanding of the CRD eligibility criteria

19. There was general support for the majority of the proposals concerning the assessment of an ECAI's eligibility. The common understanding achieved is regarded as a significant contribution to consistency and convergence across the EU in the recognition of ECAIs.

Market credibility

20. Respondents expressed mixed views: some argued for more emphasis on market acceptance and track records, while others suggested that these aspects could represent a barrier to entry, and wanted a wide range of factors to be taken into consideration.
21. CEBS maintains its position that the recognition criteria should avoid any unnecessary interference in the market – in particular with respect to market entry. At the same time, CEBS maintains that the primary responsibility of authorities under the CRD relates to the prudential need to ensure suitability for use for Standardised and Securitisation Rating-based Approaches.
22. As a result of the above and in response to the comments received, the guidelines indicate that competent authorities will take account of the factors set out in the CRD – including the newly included factor "in case at least two banks use the ECAI's individual credit assessment for bond issuing and/or assessing credit risks" and other factors, none of them been exhaustive (see paragraph 116). The guidelines also indicate that strong market credibility and a rich data record can provide confidence concerning the appropriateness of the credit assessments (see paragraph 76). Again, this is not meant to be an exclusionary approach. For example, when the applicant is a new market entrant, supervisors will simply have to examine the other recognition criteria in more depth.

Granularity of methodologies

23. Most respondents welcomed the proposal in CP07 that recognition be based on the core methodologies of ECAIs, and that recognition of such methodologies need not be on an asset class by asset class basis but should rather reflect three broad market segments: structured finance, public finance, and commercial entities. However, some respondents sought clarification on whether a more granular approach could be appropriate, for example when an ECAI has different methodologies in different countries or when it has a methodology specifically tailored, for example, to the SME sector.
24. The approach set out in CP07 is not intended to prohibit an ECAI from adopting more granular core methodologies nor to prevent an ECAI from seeking recognition for a methodology which is focused more narrowly, e.g. on the SME sector. CEBS has amended paragraph 86 to make this clearer.

Use by at least one institution

25. Several respondents asked CEBS to reconsider the requirement that applicant ECAIs demonstrate that at least one credit institution intends to use its credit assessments for risk-weighting purposes under the Standardised Approach or the Securitisation Ratings Based Approach as relevant.
26. CEBS believes that this minimalist requirement should remain in place, as it provides an important check in ensuring that the ECAI recognition process remains focused solely on the assessment of an ECAI's eligibility to be used for regulatory capital purposes. The recognition process should not become a more general rating agency approval process unrelated to the regulatory capital purposes for which it is established.

IOSCO code of conduct fundamentals

27. Another area where respondents sought clarification concerned whether, in assessing ECAI eligibility, competent authorities would explicitly consider adherence to existing internationally recognised principles such as the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies or ECAIs' own publicly available proprietary codes.
28. CP07 indicated that an ECAI's adherence to internationally recognised principles may increase the comfort level of competent authorities that the ECAI conforms to certain CRD criteria such as the independence criterion.
29. CEBS continues to believe that, while principles such as those set out in the IOSCO Code are in many cases consistent with those of the recognition process, the two mechanisms are designed to serve different purposes. Unlike the wider purpose of the IOSCO Code,

the CRD process is narrowly focused on ensuring that credit assessments are suitable for the calculation of capital requirements.

30. Consequently, adherence to the IOSCO Code does not necessarily imply adherence to the recognition requirements set out in the CRD. However, there are important areas of overlap. Accordingly, paragraph 77 of the guidelines has been amended to refer explicitly to the IOSCO Code and it now indicates that adherence to such a code may help satisfy competent authorities that the ECAI conforms to certain of the CRD criteria such as independence.

Unsolicited credit assessments

31. Some respondents sought clarification on competent authorities' approach to the treatment of unsolicited credit assessments. Article 83(2) of the CRD states that "Credit institutions shall use solicited credit assessments. However, with the permission of the relevant competent authority, they may use unsolicited credit assessments."
32. CEBS understands the central purpose of this provision to be avoiding the promotion of business strategies by ECAIs which might seek to use unsolicited credit assessments to 'pressure' entities to purchase solicited ratings.
33. Where an ECAI's methodology and business approach involve issuing ratings which have not been solicited by the rated entities, and the ECAI does not also issue solicited credit assessments, competent authorities consider it unlikely that the purpose behind the issuance of such assessments will be inappropriate. Accordingly, competent authorities agree that such assessments may be used, subject to their being satisfied, that the issuance of such credit assessments is bona fide, and that the requirements of the guidelines, both concerning methodology and more generally, are satisfied.
34. When an ECAI issues both solicited and unsolicited ratings, competent authorities agree that this is not a bar to recognition of the ECAI. However, competent authorities will retain their national discretion to determine whether institutions will be allowed to use the unsolicited credit assessments in these circumstances.

On-going review

35. In responses to suggestions to set up a continuing contact group of supervisors and a process facilitator to manage continuing aspects of the post-recognition process – i.e. the submission of information on material changes in methodology; the provision of data on cumulative default rates, etc., for ongoing monitoring of the mapping; and the five-year review, the guidelines have been amended to indicate that there will continue to be a process facilitator who will act as a contact point for the ECAI, and who will distribute information to, and coordinate the activities of, the relevant supervisors.

36. More generally, CEBS will continue to maintain the guidelines. It will ensure that they are kept up-to-date and provide a structure for ensuring ongoing consistency in relation to any general issues that may arise.
37. Some respondents sought further guidance on the procedures to be followed in the event that a recognised ECAI subsequently fails to meet the recognition criteria and competent authorities believe that it is necessary to withdraw authorisation. Paragraph 69 has been amended to indicate that such withdrawal will take place only after discussions with the ECAI.

Mapping

38. On the whole, there was strong support for the proposed mapping set out by the Basel Committee, which is seen as promoting international consistency and ensuring a level playing field for institutions and ECAIs. Respondents appear to share CEBS' view that this approach strikes the right balance between prudential requirements and the practicalities of data concerning ECAI's credit assessments.

Securitisation mapping

39. Respondents were generally positive towards CEBS' proposed approach to the mapping of securitisation positions. They welcomed CEBS' decision to take into account a range of quantitative and qualitative factors, as well as the views of market participants, while adopting a degree of flexibility that allows for future developments that are likely to occur as the securitisation market develops further and more data become available. The guidelines have been amended to include technical suggestions made by the respondents

CIUs mapping

40. In general, there was support for CEBS' proposals on the mapping of credit assessments of CIUs.
41. However, a number of respondents felt strongly that the guidelines on eligibility were drafted too narrowly and that certain forms of assessment which were focused on the credit quality of the fund would be excluded inadvertently. CEBS has looked further at this aspect and agrees that the guidelines as proposed could be interpreted in a manner which would have the effect of excluding certain assessments which could be considered to be credit assessments. Accordingly, some minor changes have been made to address the issue (see paragraph 172).

CEBS' analysis of responses to CP07

Text CP07 (Cross reference to the related paragraph)	Received Comments (summarised)	CEBS Analysis	New text (Cross reference to the amended paragraph) N/R=change not required
General remarks			
	Respondents generally welcomed CEBS' proposals. Respondents particularly welcomed CEBS' aim to reduce the administrative burden of both supervisors and institutions, the strong emphasis put by CEBS on data quality and methodology, the focus on analysing the processes around the methodologies, rather than the methodologies themselves and the fact that the onus remains on ECAIs to design and implement their own policies.	CEBS welcomes the support expressed and believes its guidelines promote convergence in supervisory practices in a field where cross-border differences must be addressed.	N/R
	Most of the respondents supported that the recognition of ECAIs should not imply regulation beyond the requirements of the CRD.	This is consistent with the new recital 34(a) introduced by the European Parliament and Council in the final text of the CRD.	N/R
	Some respondents pointed out that -ECAIs are not only used in the Standardised Approach. Banks may use ECAIs ratings as an input in their internal rating systems. -institutions using the IRB should also indicate to supervisors which ECAIs they intend to use as the source of credit assessments and these be likewise subject to the recognition process.	Institutions are allowed to use third-party vendor models in their internal rating systems. (see Annex VII, Part 4, para 36). The CRD does not require a recognition process for such vendors. Further guidelines on the use of external models/data in the context of the IRB Approach have been developed by CEBS (see CP10 para 279 to 291). Recognition of the ECAIs for the purposes of the Standardised Approach is not relevant for the purposes of the IRB Approach	N/R

		where the focus is on institutions' internal estimates based on all relevant and material information.	
<p>Para 71 and 73 (Renumbered Para 76 and 78)</p> <p>Para 13 and 21 (Renumbered Para 14 and 22)</p>	<p>A vast majority of respondents stressed that, without lowering the necessary quality standards, the recognition process should, as far as possible, avoid erecting further barriers to entry for potential new competitors in the market. Suggestions put forward include:</p> <ul style="list-style-type: none"> -paying attention to the principle of proportionality, -refraining from setting up an excessively detailed and burdensome recognition process, -better balancing of the technical criteria and market acceptance as the current focus on market acceptance seem too strong, -reconsidering the requirement that the applicant shall demonstrate that at least one institution intends to use its credit assessment 	<p>Market credibility is required by the CRD.. As already set out in para 76, CEBS will seek to avoid interference with the market. Stronger market acceptance than this is not a pre-requisite for eligibility.</p> <p>CEBS wishes to highlight to respondents that the final version of the CRD now includes another indicator to assess the market acceptance which has been incorporated in the Guidelines.</p> <p>CEBS believes that the requirement that at least one institution intends to use the ECAI's credit assessment under the Standardised Approach and/or the Securitisation framework ensures that competent authorities need only consider applications of ECAIs whose credit assessments would actually be used. This would help to prevent companies misusing the CRD recognition process for marketing purposes.</p> <p>: "(ca) in case at least two banks use the ECAI's individual credit assessment for bond issuing and/or assessing credit risks "</p>	<p>Para 76 has been clarified.</p>
	<p>If one Standardised Approach institution decides to move to the IRB, will the ECAI lose its certification?</p>	<p>No, this requirement relates to the initiation of the recognition process, not ongoing eligibility.</p>	<p>N/R</p>
<p>Para 11 (Renumbered para 12)</p>	<p>clarification is needed : once an ECAI is recognised, there is little scope left to the responsibility of the institution: a separate responsibility may only be acceptable when obvious and substantial doubts concerning the quality of the external assessment exist.</p>	<p>CEBS confirms that institutions are not required to carry out a complete re-assessment of whether eligible credit assessments are suitable for risk weighting purposes in the Standardised Approach and in the Securitisation Ratings Based Approach. However, institutions should not rely on recognition by competent authorities to draw</p>	<p>Paragraph 12 has been reworded to clarify CEBS' views</p>

		a conclusion of suitability for other purposes – e.g. internal risk management.	
	CEBS should maintain a contact group for supervisors during the early phase of the CRD implementation.	As part of the informal recognition processes which are due to start in February 2006, contact groups for each applicant will be set up.	N/R
Para 31 (Renumbered para 32) Third countries	<p>The CRD does not provide the possibility for EU Member States to recognise an ECAI on the basis of recognition by a regulator in a non-EU country. A number of respondents suggested that</p> <ul style="list-style-type: none"> -CEBS should examine the possibilities for improving the working relations with both IOSCO and, in particular, with the US, Swiss, Canadian, Japanese and the respective EEA (European Economic Area) authorities to ensure future consistency with international standards. -CEBS should present this framework to the AIG as a basis for discussion of ECAI recognition in other jurisdictions. -the indirect recognition process should be extended at least to EEA member states and countries such as Switzerland -CEBS should consider the circumstances under which supervisors can together make use of work done/planned to be carried out by third country regulators. 	<p>While the legal position under the CRD requires full decision-making by EEA competent authorities, CEBS agrees that information sharing at the international level could be beneficial. It will seek to take such information sharing forward – subject to the confidentiality requirements of relevant market participants.</p> <p>Note: EEA competent authorities participate in CEBS as observers on a permanent basis.</p>	N/R
Question 1: If you are an institution or an ECAI, how do you envisage using the proposed recognition process, in particular in cases where applications for the same ECAI are submitted in more than one MS at the same time?			
	<p>-An association of banks envisages that the majority of ECAIs will nominate themselves for recognition. However, where institutions have exposures in more remote locations, they may wish to nominate ECAIs for recognition and mapping. Institutions envisage liaising with peers through trade associations on ECAIs in use in particular jurisdictions. Institutions' use of the recognition process will vary widely</p> <p>-Three ECAIs indicated that they anticipated applying in</p>	CEBS thanks the respondents for having shared their preliminary intentions with regard to the recognition process.	N/R

	all 25 Member States.		
Para 13 and 21 (Renumbered para 14 and 22)	Some respondents ask to clarify that the requirement that 'at least one institution intends to use the ECAI's credit assessment' does not imply any formal contractual obligation for banks, but that it is merely used as an indicator of a potential ECAI's activities. Indeed, events may take place between application and recognition that result in the bank no longer needing or wishing to use the rating.	CEBS' expectation is that institutions will indicate their intentions in good faith.	N/R
Para 12 (Renumbered para 13)	<p>Mixed views were expressed as to how the process should be initiated. Some respondents would rather limit the right to file an application exclusively to ECAIs. To others, consistency in the process would be promoted by deleting the national discretion or including institutions and their central associations into the group of potential applicants.</p> <p>It was suggested that if an application is made by someone other than the ECAI, the ECAI should have the ability to decline recognition, and thus stop the process. Moreover, the ECAI should be the entity presenting the information requested by the Common Basis Application Pack.</p> <p>One respondent proposed that competent authorities might choose to recognise ECAIs directly based on their own knowledge.</p>	<p>The mixed views expressed confirmed that the proposed guidelines reflect the diversity of the situations supervisors will have to face. Therefore, CEBS proposes to maintain its flexible approach of allowing supervisors to use either or both approaches which best meets the diversity of situations across the EU.</p> <p>To operate most effectively the recognition process will require the full cooperation of the ECAI (see para 16).</p> <p>Institutions in one Member State may wish to use the credit assessments of an ECAI recognised in another Member State for its exposures in that Member State and may therefore wish to nominate an ECAI which has not itself sought recognition in that country.</p>	N/R
Para 17 (Renumbered para 18)	Make clear that in case additional competent authorities (CAs) receive applications concerning an ECAI already recognised, these additional CAs can recognise the ECAI indirectly as long as the first CAs along with the ECAI provide the additional CAs with all the necessary documentation to make them aware of the recognition process followed and the organisational framework of the ECAI.	Article 81(3) states that if an ECAI has been recognised as eligible by the competent authorities of a Member State, the competent authorities of other Member States may recognise that ECAI as eligible without carrying out their own evaluation process. Although the CRD does not give further details on how the Article should be applied, CEBS believes the on-going information sharing between supervisors should facilitate the smooth use of indirect	Para 48 and 49 have been clarified accordingly
Para 45	For one respondent, the fact that the result of a joint		

(renumbered para 48)	assessment should not be disclosed to competent authorities in countries where no application for recognition was received without the ECAI's prior consent, should cease to apply if an application is submitted to a previously uninvolved competent authority at a later date. It should then be possible to pass on the information without delay	recognition. Therefore, subject to the prior consent of the ECAI with regard to confidentiality of the documentation provided, the supervisors who were not involved in the joint assessment process, will receive the report upon request	
Para 27 (Renumbered 28)	The recognition at the group level was welcomed by a number of respondents. One respondent pointed out that for an applicant ECAI which has many subsidiaries, there should be an intermediary level between recognition at group level and one at subsidiary level.	As stated in para 27, the central question in deciding whether to give recognition at the level of the group or at the subsidiary level will be whether a given credit assessment is judged to represent the same opinion as to the creditworthiness of the entity, regardless of the geographical location where the credit assessment has been issued	N/R
Para 29 (Renumbered para 30)	Two respondents asked for clarification on why affiliates and joint ventures should be assessed separately when they use the same methodologies procedures and adhere to the same code of conduct.	There are two aspects as to whether a particular credit assessment (e.g. AA1) represents the 'same opinion' regardless of location: (a) does it mean the same thing; (b) is it the opinion of the same 'person'. Affiliates and joint ventures would not satisfy the second of these aspects.	N/R
Timeline	CEBS and national authorities should undertake informal recognition and mapping processes as soon as practicable and give a provisional indication of the outcome as early as possible.	It is intended that informal recognition processes start once the CEBS guidelines are finalised and published. The informal process will form the basis of the legal recognition process, unless there have been any material changes made.	See the press release
Para 19,57, 58 (Renumbered 20,61,62)	The CEBS framework for supervisory disclosure includes disclosures on ECAI recognition. This has been welcomed by the respondents. Supplementary suggestions includes: -annually disclosing a compilation of the main reasons why applications for ECAI recognition were declined. -disclosing the additional national requirements and their justifications. -disclosing explanation where supervisors decide not to make use of the procedure of indirect ECAI recognition.	Each national competent authority is required by Article 81(4) to make publicly available an explanation of the recognition process and a list of eligible ECAIs. CEBS believes that the format and the level of details laid down by CEBS in the Supervisory disclosure framework strikes the right balance between transparency and confidentiality of the information. Information on how the recognition process has been initiated, whether a joint process has been carried out, the market	The type of information disclosed can be seen by clicking http://www.cebs.org/SD/Rules_ECAI.htm . This link has been inserted in para 20 and para 62 briefly sets out the information to be disclosed

	<p>-disclosing by mid-2006 relevant information to assist institutions in a timely changeover to the CRD requirements on 1 January 2007.</p> <p>-disclosing the ECAI applications</p> <p>-keeping publicly available all publicly available information provided to competent authorities</p>	<p>segments to which the recognition has been sought and the mapping, are proposed to be disclosed. The target implementation date of the framework is end 2006.</p>	
<p>Question #2: do you support the proposed joint assessment process? Does it address the need for efficiency, consistency and reduced administrative burdens in light of the CRD requirement that each competent authority make its own decision (direct or indirect) on eligibility?</p>			
	<p>Full support of the joint process as a vehicle for a more efficient, consistent and administratively effective process.</p> <p>Full support to any initiative that promotes information sharing and cooperation between institutions and regulators to avoid duplication of effort and divergence in practice.</p>	<p>CEBS welcomes the support expressed for this key aspect of its proposals.</p>	<p>N/R</p>
	<p>Effective communication between supervisors on applications received will be an important factor. A coordinating role for CEBS should be an essential part of that process</p>	<p>CEBS agrees that effective communication is a key aspect of the joint approach. The facilitation of this will be a core task of the process facilitator. The CEBS Secretariat will assist in the coordination of the processes in the early stages to ensure that the preliminary steps can be quickly and effectively concluded.</p>	<p>New para 41 and 42 set out in more details how the process facilitator is appointed and its tasks are defined.</p>
	<p>Some respondents noted that the joint assessment process should take into account this situation whereby an ECAI may be well furnished with quantitative factors in just some of the countries in which it seeks recognition. Countries may have different 'rating cultures', relevant information and data varies among countries.</p>	<p>As is stated above the key requirement is that supervisors are satisfied that the ECAI's core methodology yields credit assessments which represent the 'same opinion' regardless of the geographical location of the rated entity. While supervisors will wish to be satisfied that the core methodology takes account of key differences between markets – e.g. in the definition of default – it is not required that there be statistically meaningful data for each local jurisdiction taken on its own.</p>	<p>Para 84 addresses the respondents' concerns by stating that: 'in defining broad asset classes and/or market segments, it is not necessary for the core assessment factors to be evaluated in an identical and mechanical way for all entities within a group. Indeed, it would be expected that different emphasis be put on the</p>

			importance of individual factors when assessing different companies and/or markets and that differences are appropriately taken into account. What is important is that the same core factors are always considered, to some extent, when assessing an entity within the given asset class and/or market segments.
	Many respondents strongly favoured that a decision-making process be built within the joint assessment process.	<p>The common understanding of the CRD recognition criteria and the common procedures have been developed to support consistency in direct recognition decision-making across the EU and to increase the scope of indirect recognition. Given the agreement that has been reached on the recognition criteria and on the common basis application pack it is expected that ultimate disagreements will be relatively rare if they occur at all.</p> <p>However, it has to be kept in mind that the ultimate decision belongs to the national competent authority which has to be confident that any country-specific issues have been taken into account in the core methodology in an appropriate manner.</p>	N/R
Para 7 of the executive summary (No change in the numbering)	A number of respondents put the emphasis on the indirect recognition which they suggested should become standard practice.	CEBS considers both direct and indirect recognition to be important and notes that indirect recognition can be a highly valuable instrument for enhanced efficiency and to reduce administrative burdens on both sides. It is considered that the consensus represented by these guidelines will provide a robust underpinning for the confident use by competent authorities of the indirect recognition approach in	N/R

		<p>relevant circumstances.</p> <p>At the same time the availability of the joint assessment process will significantly reduce the administrative burden where direct recognition is the more appropriate route.</p>	
Para 37 (Renumbered para 38)	A number of respondents stressed that the joint assessment process should be conducted as speedily as possible.	Competent authorities have agreed to proceed on the basis of CEBS final guidelines and as early as February 2006 towards ensuring that institutions have a timely preparation period in advance of the 1 January 2007 implementation date.	N/R
Para 39 (Renumbered para 40)	Comments asked for the appointment to be clarified via an abstract selection procedure. A range of possible criteria were put forward.	<p>CEBS has devised an indicative set of criteria to help the authorities involved to agree among themselves on the process facilitator. In addition, it is intended to prevent inefficient situations whereby the same supervisor is the process facilitator for several multi-application processes.</p> <p>The role of the process facilitator which consists in coordinating and ultimately producing the joint assessment 'shared view' report has also been further clarified.</p>	<p>New para 41 sets out an indicative set of criteria :</p> <p>Moreover new para 42 sets out in more details the tasks of the process facilitator.</p>
	it would be helpful if the same process facilitator were to continue in that role with respect to the on-going review of an ECAI (both with respect to reported material changes, and the more formal five-yearly reviews)	It is intended that a 'process facilitator' be maintained for the on-going review.	Para 67 now indicates that a process facilitator will act as the contact point with the ECAI and facilitate the coordination amongst the relevant competent authorities.
Para 46-54 (Renumbered 50 to 58)	<p>A number of respondents stressed that:</p> <p>-the use of/request for information other than that supplied in the Common Basis Application Pack should be limited as all Member States should be looking at essentially the same package of information</p> <p>-parallel use of different application packs would be contrary to supervisory convergence</p>	<p>The information to be provided by applicants has been commonly agreed in order to reduce inconsistent and burdensome information requirements and to facilitate cooperation amongst competent authorities</p> <p>It is expected that a well-completed application in line with the requirements of Annex I will provide a very good basis for the recognition</p>	The process facilitators will facilitate agreement on request for further information (see new para 42)

	<p>- provide some guidance as to when recourse can be had to the additional information, (e.g. an indication of the "national specificities") or specify a strictly limited set of specific factors that justify a national authority to request additional information.</p> <p>-Competent authorities should, where possible, make requests for additional information through the process facilitator</p>	<p>process. As is normal with any application process, it may be that further clarification, demonstration and/or discussion with the applicant will be necessary. The extent of the need for this will be agreed by supervisors as part of the joint process and communicated by the process facilitator.</p> <p>However, it must be kept in mind that when coming to its decision, a national supervisor may wish to be satisfied that any country-specific issues going beyond the joint assessment have been appropriately addressed. Accordingly the right is reserved for them to ask for further information before reaching their decision. This is in line with the legal requirements of the CRD. It is expected that the need for such additional information will be rare.</p>	
<p>Para 54 (renumbered para 58)</p>	<p>Some respondents suggested that supervisors should rely only on information that is publicly available. It would enhance the transparency and accountability of the ECAI recognition process. It helps third parties to refer to publicly available information to enable them to make their own evaluation of that information in assessing the recognition process.</p>	<p>CEBS believes that much of the information to be reported is already publicly available. However it will be key to a smooth and effective assessment process that this information is presented in a well-considered manner having regard to the requirements and approach set out in the CEBS guidelines. Applicants should provide summaries and appropriate supporting documentation in such a way as to meet the requirement in paragraph 25 that the application consist of comprehensive, transparent and appropriately concise documentation.</p> <p>If competent authorities are overwhelmed with large volumes of undifferentiated information the recognition process is likely to take considerably longer.</p>	<p>N/R</p>
<p>Para 48 (Renumbered para 52)</p>	<p>Some respondents suggested that it is essential for the sake of transparency that all public information be available in a language customary in the sphere of international finance.</p>	<p>As already stated in para 52, without prejudice to domestic language requirements, documentation should be provided in a language of mutual understanding to facilitate the joint recognition process. The language will be</p>	<p>N/R</p>

		determined on a case-by-case basis. CEBS considers that this formula is unlikely to give rise to material additional administrative burdens for applicants.	
Para 64 (Renumbered 69)	A number of respondents suggested to put forward proposal on how the withdrawal of the recognition would be carried out	In the context of the on-going review of eligibility, the competent authorities will need to assess whether the eligible ECAIs continue to meet the eligibility criteria, and if not, withdraw the recognition. It is intended that competent authorities will engage in an appropriate dialogue with the ECAI in this respect and any withdrawal will be adequately communicated to other competent authorities.	Para 69 has been modified accordingly
Para 78-81 (Renumbered 83-87)	A majority of respondents welcomed the proposed classification into three main market segments. One or two others found the division insufficient as it would be useful to assess ECAIs' eligibility for single country/ or business aspects such as SMEs.	The approach based on three broad market segments is designed to reflect market practice. Core methodologies will be expected to appropriately take into account the different contexts of different markets. This will be necessary in order to ensure that a particular credit assessment means the same thing, regardless of the country in which the rated entity is incorporated. The same principle applies for different market segments. The approach also intends to provide maximum flexibility -- so that ECAIs do not need to break their applications down into ever-decreasing sub-segments. This is not intended to prejudice an ECAI which specialises in, for example, the SME market. The classification into three market segments will also be addressed when mapping: should the outputs be comparable to other segments because the rating scales are the same, then the mapping will be the same.	A sentence has been added to para 86 to make it clear that this should not prevent ECAIs from seeking recognition for a methodology which is more specifically focused, e.g. on SMEs.

Question #3: what are your views on the proposed common understanding of the CRD recognition criteria to be implemented by supervisors in determining the eligibility of ECAIs

	All respondents welcome the efficiencies that CEBS' common understanding of the CRD recognition criteria seeks to create. Incentives for regulatory arbitrage due to differences in recognition criteria from one member state to another should be avoided	CEBS welcomes this support for a key aspect of its proposals.	N/R
Para 69-71 (renumbered para 74-76)	Respondents highlighted that the recognition criteria should take into account market acceptance and credibility as key inputs into the recognition process, as well as backtesting and the quality of public disclosure in the determination of the amount of information and degree of investigation necessary for recognition of an ECAI.	CEBS believes that the common understanding of the CRD recognition criteria strikes a balanced approach by combining quantitative and qualitative assessments, which will allow supervisors to address a wide range of applications.	N/R
Para 72 (Renumbered para 77)	Some respondents noted that the CRD recognition criteria were very similar to those required/ referred to by other regulatory bodies such as the OSFI or the SEC or IOSCO. Respondent also recognised the different nature of the interest of securities markets regulators and prudential supervisors. Suggestions included: -referring to ECAIs' publicly available proprietary codes. This would draw the difference between the regulatory and self-regulatory elements. -making explicit reference to internationally agreed standards for the activities of credit rating agencies	Reference to internationally recognised standards such as the IOSCO Code will be made in the guidelines.	Para 77 has been clarified accordingly
Methodology Para 81 and 82 (Renumbered para 87 and 88)	Respondents agreed that competent authorities should not intend to endorse any specific type of methodology. One respondent urged CEBS to strengthen his point and make clear that competent authorities "must not" undertake a detailed assessment of the exact methodology used by the ECAI.	Competent authorities' assessments should fit the purposes of the CRD and therefore should not be seen as endorsing any particular type of methodology	N/R
Para 74-87 (Renumbered Para 79-93)	Mixed views were expressed as for the type of assessment of the methodology supervisors should carry out, the level of details and the degree of	In light of the comments received CEBS considers that the proposed approach strikes the correct balance between maintaining a high-level approach in general and adopting a more	N/R

	<p>stringency</p> <p>For some respondents, the assessment of ECAIs' methodology should remain high-level while for some others, it should be more detailed.</p>	<p>detailed focus on qualitative factors where quantitative data and/or market standing remain at lower levels.</p>	
<p>Para 89 (Renumbered para 95)</p>	<p>Mixed views were expressed on the examples given to illustrate potential cases where conflicts of interest may arise.</p>	<p>The examples listed are for illustrative purposes. The key requirement is that ECAIs have procedures operating to manage conflicts of interest and ensure that their credit assessments remain isolated from such risks. It is not suggested that such situations will give rise to a failure of independence – simply that the ECAI must have in place the procedures to identify and address potential conflicts of interest that may arise.</p>	<p>N/R</p>
<p>Para 90 (Renumbered para 96)</p>	<p>A few respondents suggested deleting the requirement and allowing the use of the ratings of an ECAI which is a subsidiary of the institution if it can provide evidence that appropriate protective measures ensuring the independence of the rating are in place and are actually applied.</p>	<p>As stated in para 15, this requirement has been judged necessary to ensure consistency with the policy of avoiding any institution using 'external' credit assessments which are issued within its group</p>	<p>N/R</p>
<p>Para 92 b (Renumbered para 98 b)</p>	<p>-A respondent suggested that ECAI should not prove that it separates its rating activities from other businesses at a legal level.</p> <p>-A respondent asked to clarify that ratings assessment activities are part of a CRA's core rating activities and would not be considered to be an ancillary service.</p>	<p>As stated in para 98b), it should be demonstrated that ECAIs' organisational structure separates the credit assessment business –operationally, personally and <u>potentially</u> legally- from any other business, such as consulting services, that could undermine the objectivity of their credit assessments.</p> <p>Concerning other business activities it is not considered desirable to be more prescriptive than paragraph 98(b).</p>	<p>N/R</p>
<p>Para 92 d (Renumbered para 98 d)</p>	<p>CEBS was asked to clarify that the final sentence could not be read to imply that issuers will always participate in the ratings process. Unsolicited ratings are ratings assigned without the full participation of issuers in the rating process.</p>	<p>This aspect is discussed in the main section of this document.</p>	<p>Para 98d) has been amended accordingly</p>
<p>Para 92 g</p>	<p>To establish compatibility with the IOSCO Code, such</p>	<p>While CEBS sees merit in this comment, it has</p>	<p>N/R</p>

(Renumbered para 98 g)	disclosure should be mandatory (section 2.6 of the IOSCO Code).	decided not to tighten the guidelines at this stage.	
Ongoing review Para 93-101 (Renumbered para 99-107)	Two respondents highlighted that supervisors should not adopt a prescriptive approach to monitoring	The proposals represent a relatively 'light touch' approach – implementing the CRD requirement for notification of material changes in methodology and indicating a 5-yearly review in order to avoid the 'moral hazard' that would arise if ECAIs recognition was not subject to review at appropriate intervals.	N/R
Para 98 (Renumbered para 104)	clarification of what back testing means	CEBS has clarified the definition.	A definition of backtesting has been included in para 104 of the guidelines
Para 99-101 (Renumbered para 105-107)	Material change should be defined more precisely	CEBS considers that the explanation of 'material change' set out in paragraphs 105-107 goes a long way towards providing the clarification concerning the CRD requirements that market participants have sought. Alternative proposals have not been made by respondents. CEBS does not consider that further elaboration is desirable at this stage.	N/R
Transparency and disclosure Para 102 - 105 (Renumbered para 108-111)	Suggestions put forward by institutions include: -define a set of standard information in order to allow possible cross-country comparison, -apply the disclosure obligations according to internationally agreed standards	CEBS does not consider that it is desirable to be more prescriptive in this area. It is considered that the principles set out in paragraph 103 strike the appropriate balance in this regard.	N/R

<p>Credibility and market acceptance (Renumbered para 116)</p>	<p>Comments received include:</p> <ul style="list-style-type: none"> -the favourable opinion of the market should be interpreted widely, e.g. other indicators should be introduced: use of ECAIs by broker dealers, number, in banks' application processing, risk based pricing or portfolio management, type of citations of the ECAI in well-known industry journals or newspapers (international and/or local). Moreover, a reasonable time framework such as 3 to 4 years should be permitted to establish broad market acceptance in the EU market -use, wherever possible, feedback from market participants -have specific attention to rating agency's that are specialised in rating SMEs -provide more information on how to assess credibility and market acceptance in emerging markets -term 'large number of institutions' should be clearly defined 	<p>CEBS considers that the factors indicated in the CRD together with the further guidance it has provided provides an appropriate set of illustrative factors. Other factors may also be taken into consideration. It is not intended to increase prescriptiveness or to seek to provide an exhaustive list.</p>	<p>Para 116 has been slightly amended accordingly</p>
<p>Transparency & disclosure of the credit assessment Para 111-114 (Renumbered para 117/120)</p>	<p>One respondent noted that the criteria can be met without posting a list of all ratings on its website or otherwise maintaining a publicly available list –which is practically unfeasible with respect to the number of ratings issued.</p>	<p>Having considered the comments made CEBS has made some modifications to the relevant wording to make clearer the distinction between public and private ratings</p>	<p>Para 117-120 have been clarified.</p>
Question #4: what are your views on the proposed approach for implementing the mapping process?			
<p>Paras 121-4,</p>	<p>The majority of respondents supported the use of the Basel Methodology as it would encourage transparency and would promote a level playing field and consistency within the EU and globally.</p> <p>Respondents also welcomed the fact that the mapping process would not only consider quantitative factors</p>	<p>CP07 provides guidance on the mapping of credit assessments to credit quality steps (CQS). The subsequent mapping from CQS to risk weights is determined by the tables in Annex VI of the CRD.</p> <p>The mapping process is conceptually neutral to the nature of the rated entity and the precise methodology adopted in assessing it. Instead it</p>	<p>N/R</p>

141-5	<p>but would also involve qualitative factors, including definition of default. Some respondents proposed additional qualitative factors (e.g. the soundness of an ECAI's procedures, an ECAI's experience of a given market) that might be considered.</p> <p>However some respondents requested additional clarification on specific aspects of the mapping process:</p> <ul style="list-style-type: none"> - Whether each ECAI would have one mapping scale or have different mapping scales for different market segments / exposure types; - Whether there would be a different mapping for entities located in jurisdictions with different definitions of default; - How would the process will accommodate different ratings – e.g. domestic and foreign currency ratings – issued for the same entity; - Whether a different mapping process should be adopted for ECAIs that specialize in assessing SMEs – that takes into account their experience in that market, differences in the performance of such markets and possible differences in definition of default. 	<p>aims merely to reflect the CDR (actual or perceived) associated with its allotted given rating grade. Differences in methodology will not necessitate a separate mapping providing that different entities assigned the same rating grade carry the same level of credit risk.</p> <p>Indeed CEBS expects a single mapping for all of an ECAI's assessments (except for structured products) providing that the ECAI adopts the same rating scale, with the same meaning, for all its assessments. Should some of an ECAI's methodologies not explicitly account for differences in qualitative factors (e.g. definition of default) to the extent that the same rating level does not imply the same risk for different credit assessments, then the mapping process will incorporate adjustments accounting for such differences.</p> <p>A separate mapping may be required if an ECAI uses different rating scales in different geographical regions or for different exposure classes. This suggests that a different mapping will typically be required for domestic & foreign currency assessments.</p>	
Para 122, 128-140	<p>Respondents raised two issues concerning the provision and use of CDR data:</p> <ul style="list-style-type: none"> - Some respondents found the requirement of providing 10 to 13 years of default data too strong 	<p>Paragraph 122 states that where significant amounts of quantitative data are not available, competent authorities will place greater reliance on an assessment of qualitative factors. Paragraph 138 attempts to apply this treatment to recently established ECAIs with a limited data series. However to assist clarification the text has been slightly modified.</p> <p>(Where available) CDR data will be used in accordance with the Basel Framework. The 10-year average will be compared with the "long-run" reference 3-year CDR to map an ECAI into</p>	<p>The term "where available" has been added concerning the provision of CDR data in paragraph 140 & points 2 and 3 in the mapping section in the Application</p>

	<p>- One respondent asked for clarification on the status an ECAI's ten year average of 3-year CDRs (if available) and its two most recent 3-year CDR.</p>	<p>the supervisory benchmarks, whilst the two most recent 3-year CDRs will be compared to the benchmark "monitoring & triggering levels" to determine whether the long-run mapping remains appropriate.</p>	
	<p>Two issues were raised concerning how the mapping process would be extended to produce regulatory capital risk weights;</p> <p>- one respondent asked how competent authorities intended to map the segments identified for ECAI recognition to the exposure types in the CRD as they did not mirror one another.</p> <p>- one respondent sought clarification given differences in the number of credit assessment bands in the Basel Framework & the number of Credit Quality Steps in the CRD.</p>	<p>It is envisaged that a single mapping process will be undertaken capturing all an ECAI's rated entities. It will be up to institutions to assign entities into the exposure types stated in the CRD for regulatory capital calculations.</p> <p>There is no inconsistency between Basel and CRD in this respect. Whilst the Basel Framework typically has fewer credit assessment bands than the 6 CQS specified in the CRD, this is simply because some credit assessment bands cover more than one CQS. For example whilst Basel only has four credit assessment bands for corporates, two of these (100% and 150%) each cover two CQS.</p>	<p>N/R</p>
<p>Question #5: do you support the proposal that the 'mapping' of credit assessments to risk weights should also be addressed under the joint process set out in Part 1 for applications made in more than one Member State?</p>			
	<p>Overall strong support: A common mapping process should result in the consistent assignment of risk weights throughout all jurisdictions.</p> <p>Consistency in mapping is vital. Suggestion to ensure consistency encompassed:</p> <p>-additional information required by one supervisor (see para 145) must not result in distortions of the common approach to mapping</p> <p>-encourages national authorities to indirectly recognise the mapping of others .</p> <p>Moreover, mixed views were received on the scope of the mapping: at the country level or at European level</p>	<p>As stated in para 122, objectivity and consistency in mapping are necessary to ensure appropriate levels of capital under the Standardised Approach and the Securitisation Ratings Based Approaches, a level playing field for institutions and fair treatment of ECAIs.</p> <p>Article 82(2) allows competent authorities of a Member State to recognise the mapping undertaken by another one without carrying out their own determination process.</p>	<p>N/R'</p>

	<p>A small minority of respondents stressed that the mapping should be addressed at each country level to take into account their specificities and it should be built in association with ECAI applicants. What the joint process could bring is a methodology to facilitate the mapping building process.</p> <p>Other respondents highlighted on the contrary that a strict assessment on a country-by-country basis could pose problems as data sets are likely to be too small for analysis on a stand-alone basis and would lead to statistically insignificant figures for a number of EU Member States. Therefore, competent authorities should as far as possible rely on aggregated European data.</p>	<p>As mentioned above, if the ECAIs use different methodologies by country, which end up with a credit assessment giving a different opinion of the credit worthiness of the rated entity, then credit assessments would have to be mapped separately.</p>	
<p>Question #6: do you think that the concept of loss, rather than default probability alone, is the appropriate key parameter for mapping securitisation credit assessments? If not, what should be the appropriate parameter? How should it be measured statistically? To what extent do the same considerations apply for CIUs credit assessments?</p> <p>Based on the preliminary feedback from market participants, CEBS released a supplementary note on the specific mapping issues of securitisation position and CIUs, for one-month consultation. The feedback received is set out below</p>			
<p>Securitisation positions</p>	<p>Respondents were in general very positive towards CEBS' proposed approach. They welcomed CEBS' decision to take into account a range of quantitative and qualitative factors, as well as market participants' views, while adopting a degree of flexibility to allow for future developments that are likely to occur as the securitisation market – and available data – develops further.</p> <p>One respondent suggested that the type of underlying assets should be added as an additional qualitative feature. Another suggested that transition matrices be taken into account, that ECAIs' methodologies be assessed more closely, and that transparency in the rating process is important.</p>	<p>Concerning the additional factors that it is suggested should be looked at, the Guidelines have been amended to include reference to transition matrices and to make it clear that the factors referred to in the guidelines are not intended to represent an exhaustive list. It is indicated that ECAIs' methodologies should be considered as part of the qualitative factors (see paragraphs 165-168). Transparency in the rating process is indeed important</p>	<p>See the part on Securitisation positions, para 152-168</p>
<p>CIUs</p>	<p>Good support for the proposals</p> <p>However, the guidelines on eligibility have been considered to be drawn too prescriptively narrow. In particular certain forms of assessment which were focused on the credit quality of the fund could be</p>	<p>CEBS has looked further at this aspect and agrees that the Guidelines as proposed could be interpreted in a manner which would have the effect of excluding certain assessments which could be considered to be credit assessments.</p>	<p>See Para 170-173</p>

	inadvertently excluded.	Accordingly the relevant guidelines have been amended.	
Annex I: Common Basis Application Pack			
	<p>Overall support of CEBS' efforts to draw up a list of information requirements. Suggestions encompassed:</p> <ul style="list-style-type: none"> -Assessments should be based on all relevant and material information. To require all relevant information without qualification would impose an undue burden on ECAIs -it is important to assess the information provided by the 'Common Basis Application Pack' with respect to the market segments in which the rating institution is specialised, - it should be possible for a competent authority to recognise an ECAI on the basis of information provided by the ECAI relating to specified topics. This must not lead to detailed instructions by supervisors on the exact skills and training that ECAI staff shall possess - For cross-border ECAIs it should be possible to apply simultaneously in all constituencies where it is active by way of sending the same application to all competent authorities concerned. The same procedure should be accepted if the application is submitted by an institution rather than the ECAI itself. 	<p>To address these concerns para 15 has been amended accordingly.</p> <p>If it is a market segment where the ECAI seeks recognition, the information about that segment should be provided</p> <p>To address these concerns, information requirements 4-8 of independence have been reworded.</p> <p>Para 25 states that when applications are initiated by institutions that intend to use an ECAI's credit assessments, it will be highly desirable for the ECAIs to ensure that all the relevant information deemed necessary for the sole purposes of ECAI recognition has been delivered to the competent authorities. It is up to the ECAIs and institutions to organise the way the information is to be provided to the competent authorities.</p>	<p>Para 15 is redrafted as follows:</p> <p>'competent authorities must be provided with all material information they need to assess (...)'</p> <p>'Self-certification' instead of 'certification' has been included in requirements 4-8 of 'Independence'</p>
Presentation of the ECAI	One respondent is not certain as to why it would be helpful to either have a fixed percentage of revenues and ownership or an explanation of the reasons for, and amount of, any such variations.	These are examples of indicators that would help competent authorities to gain an overview of the legal structure of the ECAI and the group to which it belongs.	N/R
Objectivity Para 4	One respondent noted that the methodologies were generally international in scope, and the weighting of rating factors in the analysis may vary from one country to another without there being a formal difference in methodology. Another noted however that a detailed explanation of the differences in the ratings of a specific	The information is needed to decide whether to recognise an ECAI at the group level or at the subsidiary level. Competent authorities will have to understand that the credit assessment represents the same opinion as to the creditworthiness of an entity, regardless of the	N/R

	industry between two EU member states is unlikely to be of any benefit to any competent authority.	geographical location where the credit assessment is issued. Therefore, where questions arise regarding the possibility of differences applicable to ratings in different EU member state, these should be addressed through the Joint Assessment Process	
Objectivity Para 5	Clarify whether published transition and default studies are considered a suitable document.	This could complement the description of the methodology used to verify the accuracy, consistency and discriminatory power of the rating systems.	N/R: transition and default studies are already included in the Common Basis application pack.
On-going review Para 1 to 4	<p>Para 1- the surveillance is designed with continuous monitoring in mind and that default studies and transition studies are the best way to track the performance of the ratings.</p> <p>Para 3: the requirement that the back-testing system has been up and running for at least one year is. The ECAI should have an adequate history of monitoring and updating ratings.</p> <p>Para 4: what is the nature of the disclosure required. given the number of issuers rated, it would be less burdensome to provide policy with respect to participation by issuers.</p>	<p>Default studies and transition studies are part of the information to be sent to the competent authorities</p> <p>The CRD requires a back testing system to be in place for a least one year. ECAIs may have had a system in place for a longer period.</p> <p>The requirement encompasses information which ECAI deems relevant to illustrate the extent of contacts with senior management of the rated entities.</p>	N/R
Para 7	the disclosure of specific fee amounts would not add any material benefit. Should it become publicly available, this would conflict with commercial confidentiality	Commercially sensitive and confidential information will be treated in a confidential manner. .	N/R