

# Guidelines

## On Disclosure Requirements Applicable to Credit Ratings



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# **1 Scope**

## **Who?**

These guidelines apply to credit rating agencies established in the Union and registered with ESMA (hereinafter “EU CRAs”) in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies<sup>1</sup> (hereinafter “CRAR”).

## **What?**

These guidelines concern particular matters relating to the publication of credit ratings, rating outlooks and methodologies and models by EU Registered CRAs in accordance with Articles 10(1), 10(2), 10(5) and Annex I, Section D, I, points 1, 2, 4 and 5 and Annex I Section D, III, 1,2, 2a and 4.

## **When?**

These Guidelines will be translated into all official EU languages and published on ESMA's website. ESMA will consider these Guidelines for the purpose of its supervision as of 30 March 2020.

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<sup>1</sup> OJ L 302, 17.11.2009, p.1.

## 2 Definitions, legislative references and acronyms

The following definitions apply:

CRA	Credit rating agency
CRAR	Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit ratings agencies (as last amended by (EU) No 462/2013)
ESMA	European Securities and Markets Authorities
ESMA Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (ESMA Regulation)
ESG Factors	Environmental, Social or Governance Factors

## 3 Purpose

1. The purpose of these Guidelines is to improve the consistency of the information that CRAs are required to disclose as part of certain rating actions. This information is typically included in the rating action press release or reports.

## 4 Compliance and reporting obligations

### 4.1 Status of the guidelines

2. This document contains guidelines issued pursuant to Article 16 of the ESMA Regulation. In accordance with Article 16(3) of the ESMA Regulation, CRAs must make every effort to comply with the guidelines.

### 4.2 Reporting requirements

3. ESMA will assess the application of these guidelines by the CRAs through its ongoing supervision and monitoring of CRAs' periodic reporting to ESMA.

## 5 Guidelines

### 5.1 Requirements relating to Press Releases or Reports published in accordance with Article 10(1), 10(2) and 10(5).

4. ESMA considers that a credit rating or rating outlook, disclosed and presented within the meaning of Articles 10(1), 10(2), 10(5) and Annex I, Section D, I, 1, 2, 2a, 4 and 5 should be accompanied by a press release or report that explains the key elements underlying the credit rating or rating outlook and includes at least the following elements:

- i. A clear statement or identifier as to whether the credit rating has been endorsed in accordance with the CRA Regulation.
- ii. A clear statement as to whether the credit rating is an unsolicited credit rating.
- iii. In the case of an unsolicited credit rating the use of the following scheme to clarify the level of the rated entities participation:

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	[YES][NO]
With Access to Internal Documents	[YES][NO]
With Access to Management	[YES][NO]

- iv. The names, job titles and contact details for the lead rating analyst and the name and position of the person primarily responsible for approving the credit rating together with the name and address of the legal entity responsible for the credit rating.
- v. Identifying references for any substantially material source cited within the press release as a key driver of the credit rating action.
- vi. The name of the principal methodology and material models used in determining the credit rating are listed alongside dates of applicability or version number. For each methodology a link should be provided to that methodology, for each material model a link should be provided to a description of that model.
- vii. A section clearly identified as addressing actions or events that could lead to an upgrade or downgrade of the credit rating accompanied by best and worst-case scenario credit ratings, with dedicated paragraphs addressing factors that could lead to an upgrade, and actions or events that could lead to a downgrade.
- viii. An explanatory paragraph outlining where the user of the rating can find information on the meaning of each rating category, including definitions of default or recovery including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions. If this is in a section of the principal methodology, then a reference to the section of the methodology.

- ix. A statement explaining whether the rating was disclosed to the rated entity and amended following that disclosure prior to publication.
5. In accordance with Annex I Section D, 5, where it would be disproportionate in length to include the full underlying detail of the above elements in the press release or report accompanying the credit rating or rating outlook, ESMA expects that CRAs make clear and prominent reference where this underlying detail can be directly and easily accessed through direct web-link. Notwithstanding this, ESMA considers that the inclusion of the core of the above elements in the press release or report is necessary and proportionate to the overall length of the press release or report.

## 5.2 Requirements relating to Article 10(1), 10(2) and Section D, Annex I, I, points 2a and 5.

6. Where ESG factors were a key driver behind a change to a credit rating or rating outlook that had been presented and disclosed in accordance with Article 10(1), 10 (2) and Section D, Annex I, I, points 2a and 5, ESMA expects CRAs in the accompanying press release or report to:
- i. Outline whether any of the key drivers behind the change to the credit rating or rating outlook correspond to that CRA's categorisation of ESG factors;
  - ii. Identify the key driving factors that were considered by that CRA to be ESG factors;
  - iii. Explain why these ESG factors were material to the credit rating or rating outlook;
  - iv. Include a link to either the section of that CRA's website that includes guidance explaining how ESG factors are considered as part of that CRA's credit ratings or a document that explains how ESG factors are considered within that CRA's methodologies or associated models.