

COMMISSION DELEGATED REGULATION (EU) No 449/2012**of 21 March 2012****supplementing Regulation (EC) No 1060/2009 of the European Parliament and of the Council with regard to regulatory technical standards on information for registration and certification of 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⁽¹⁾, and in particular points (a) and (b) of Article 21(4) thereof,

Whereas:

- (1) In accordance with the general objectives of Regulation (EC) No 1060/2009, in particular the contribution to the quality of credit ratings issued in the Union, financial stability, consumer and investor protection, this Regulation should ensure that the information to be submitted to the European Securities and Markets Authority (ESMA) during the registration and certification processes, is provided following uniform rules, so that ESMA is able to make an informed decision on the registration or certification of a credit rating agency.
- (2) The longer-term benefits of the additional information are expected to outweigh any potential additional short-term costs of registration, in terms of investor protection and financial stability.
- (3) This Regulation should set out the information that ESMA is to receive as part of an application for registration by a credit rating agency. Certain information requested in this Regulation might not be applicable to a newly established credit rating agency because it might have applied for an exemption, lack previous experience in the credit rating business, or other reasons. This Regulation should not create a barrier of entry to newly established credit rating agencies willing to enter the market. Nevertheless, an applicant should provide a clear explanation for not submitting any specific information contained in that application.
- (4) Any information submitted to ESMA should be provided in a durable medium which enables its storage for future

use. In order to facilitate the identification of the information submitted by a credit rating agency, all documents should be identified by a reference number.

- (5) In order for ESMA to assess if any conflicts of interest arising from the activities and business interests of the owners of a credit rating agency might affect the independence of a credit rating agency, a credit rating agency should be required to give information regarding its owners activities and the ownership of its parent undertaking.
- (6) A credit rating agency should provide information on the composition, functioning and independence of its governing bodies in order for ESMA to be able to assess whether the corporate governance structure ensures the independence of the credit rating agency and the avoidance of conflicts of interest.
- (7) In order to allow ESMA to assess the good repute as well as the experience and skills of the senior management, a credit rating agency should provide the curriculum vitae, recent criminal record and self-declarations on the good repute of its senior management.
- (8) For the purposes of assessing how conflicts of interest are eliminated or managed and disclosed, a credit rating agency should provide ESMA with an up-to-date inventory of existing and potential conflicts of interest covering at least the conflicts arising from the carrying out of ancillary services, the outsourcing of rating activities and the interaction with related third parties. When identifying the conflicts of interest for the inventory, a credit rating agency should consider conflicts of interest which might arise from entities which belong to the global group of undertakings to which it belongs. Therefore, intra-group arrangements concerning allocation of tasks and the provision of ancillary services by different entities within the group of undertakings should be taken into consideration.
- (9) Although the branches of a credit rating agency established in the Union are not legal persons, those agencies should provide separate information as regards their branches so as to enable ESMA to clearly identify the position of the branches in the organisational structure,

⁽¹⁾ OJ L 302, 17.11.2009, p. 1.

assess the fitness and appropriateness of the senior management of the branches and evaluate whether the control mechanisms, compliance and other functions in place, are considered to be robust enough to identify, evaluate and manage the branches' risks in an appropriate manner.

- (10) The information requested regarding possible conflicts of interests with ancillary services should refer to all businesses of the credit rating agency which are not part of the rating activities.
- (11) In order to enable ESMA to assess whether a third-country regulatory framework for CRAs may be considered 'as stringent as' the Union regime in place, a credit rating agency intending to endorse ratings issued in that third country should provide ESMA with detailed information on the third-country regulatory framework and how it compares to the Union regime in place. Where such information is already available to ESMA, from other applications for endorsement, and ESMA takes the view that the third-country regulatory framework may be considered to be as stringent as the Union regime in place, the applicant credit rating agencies should be exempted from submitting this information. In any case, the applicant credit rating agencies shall demonstrate that the conduct of credit rating activities by the third-country credit rating agency resulting in the issuing of the credit rating to be endorsed fulfils the requirements under the third-country regime and that there are procedures to monitor the conduct of credit rating activities by the third-country credit rating agency.
- (12) This Regulation should set out the information that a credit rating agency must provide in its application for certification and for the assessment of its systemic importance to the financial stability or integrity of financial markets referred to in Article 5 of Regulation (EC) No 1060/2009. The systemic importance of the credit rating agency and its rating activities to the stability of one or more Member States should be measured in this Regulation in terms of the size of its rating activities and interconnectedness of the users of its credit ratings in the Union.
- (13) This Regulation is based on the draft regulatory technical standards submitted by ESMA to the Commission pursuant to the procedure laid down in Article 10 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁽¹⁾.
- (14) ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Securities and Markets Stakeholder Group established under Article 37 of Regulation (EU) No 1095/2010,

HAS ADOPTED THIS REGULATION:

CHAPTER 1

SUBJECT MATTER

Article 1

Subject matter

This Regulation lays down the rules which determine the information to be provided to ESMA by a credit rating agency in its application for:

- (a) registration, as set out in Annex II to Regulation (EC) No 1060/2009; or
- (b) certification and for the assessment of its systemic importance to the financial stability or integrity of financial markets referred to in Article 5 of Regulation (EC) No 1060/2009.

CHAPTER 2

REGISTRATION

SECTION 1

General

Article 2

Format of the application

1. An application for registration shall be provided in an instrument which stores information in a way accessible for future reference and which allows the unchanged reproduction of the information stored.
2. A credit rating agency shall give a unique reference number to each document it submits. It shall ensure that the information it submits clearly identifies to which specific requirement of this Regulation it refers and in which document that information is provided. The credit rating agency shall submit the table set out in Annex I as part of its application to clearly identify the document in which information required under this Regulation is provided.
3. If a requirement of this Regulation does not apply to a credit rating agency's application, it shall state this in the table set out in Annex I and provide an explanation.
4. Where a group of credit rating agencies applies for registration, the application shall clearly identify each credit rating agency to which the information applies. When the same information applies to more than one credit rating agency within the group of credit rating agencies, for the purpose of filling in the table of Annex I, the same reference number shall be given for the common information.

⁽¹⁾ OJ L 331, 15.12.2010, p. 84.

*Article 3***Attestation of the accuracy and completeness of the application**

Any information submitted to ESMA during the registration or certification process shall be accompanied by a letter signed by a member of the credit rating agency's senior management or a representative authorised by the senior management, attesting that the submitted information is accurate and complete to the best of their knowledge, as of the date of that submission.

*Article 4***Number of employees**

Any information regarding the number of employees shall be provided on a full time equivalent basis calculated as the total hours worked divided by the maximum number of hours subject to compensation within a working year as defined by the relevant national law.

*Article 5***Class of credit ratings**

Any information regarding the class of credit ratings shall use the following ratings classes:

- (a) sovereign and public finance ratings;
- (b) structured finance ratings;
- (c) corporate ratings:
 - (i) financial institution including credit institutions and investment firms;
 - (ii) insurance undertaking;
 - (iii) corporate issuer that is not considered a financial institution or an insurance undertaking.

*Article 6***Policies and procedures**

1. Policies and procedures provided in an application shall contain or be accompanied by:
 - (a) an indication of who is responsible for the approval and maintenance of the policies and procedures;
 - (b) a description of how compliance with the policies and procedures will be enforced and monitored and who is responsible for this;
 - (c) a description of the measures undertaken in the event of a breach of the policies;
 - (d) an indication of the procedure for reporting to ESMA a material breach of the policy or procedure which may result in a breach of the conditions for initial registration or certification.

2. A credit rating agency may fulfil the obligation to provide information regarding its policies and procedures under this Regulation by submitting a copy of the relevant policies and procedures.

*Article 7***Identification, legal status and class of credit ratings**

A credit rating agency shall provide ESMA with:

- (a) the information listed in Annex II to this Regulation;
- (b) an excerpt from the relevant commercial or court register, or other form of evidence of the place of incorporation and scope of business activity of the credit rating agency, as of the application date.

SECTION 2

Ownership structure*Article 8***Owners and parent undertaking of a credit rating agency**

1. A credit rating agency shall provide ESMA with:
 - (a) a list of each person who directly or indirectly holds 5 % or more of the credit rating agency's capital or of voting rights or whose holding makes it possible to exercise a significant influence over the management of the credit rating agency;
 - (b) the information set out in points 1 and 2 of Annex III in relation to each such person.
2. A credit rating agency shall also provide the following information to ESMA:
 - (a) a list of any undertakings in which a person referred to in paragraph 1 holds 5 % or more of the capital or voting rights or over whose management that person exercises a significant influence;
 - (b) an identification of their business activity referred to in point 3 of Annex III.
3. Where a credit rating agency has a parent undertaking, it shall:
 - (a) identify the country where the parent undertaking is established;
 - (b) indicate whether the parent undertaking is authorised or registered and subject to supervision.

*Article 9***Ownership chart**

A credit rating agency shall provide ESMA with a chart showing the ownership links between any parent undertaking, subsidiaries and any other associated entities established in the Union and their branches. The undertakings shown in the chart shall be identified by their full name, legal status and address of the registered office and head office.

SECTION 3

Organisational structure and corporate governance

Article 10

Organisational chart

A credit rating agency shall provide ESMA with an organisational chart detailing its organisational structure, including a clear identification of significant roles and the identity of the person responsible for each significant role. Significant roles shall include at least senior management, persons who direct the activities of the branches and senior rating analysts. Where the credit rating agency conducts ancillary services, the organisational chart shall also detail its organisational structure in respect of those services.

Article 11

Organisational structure

1. A credit rating agency shall provide to ESMA information regarding its policies and procedures in relation to its compliance function as set out in point 5 of Section A of Annex I to Regulation (EC) No 1060/2009, review function as set out in point 9 of Section A of Annex I to Regulation (EC) No 1060/2009 and information regarding its policies and procedures established to meet the requirements set out in points 4 and 10 of Section A of Annex I to Regulation (EC) No 1060/2009.

The information provided under this paragraph shall include the information set out in Annex IV points 1, 3 and 4.

2. Where the policies and procedures referred to in paragraph 1 are carried out at group of undertakings level, a credit rating agency shall also provide ESMA with the information set out in Annex IV point 2.

3. A credit rating agency shall also provide ESMA with the information set out in Annex X.

Article 12

Corporate governance

1. A credit rating agency shall provide ESMA with information regarding its internal corporate governance policies and the procedures and terms of reference which govern its senior management, including the administrative or supervisory board, its independent members and, where established, committees.

2. Where a credit rating agency adheres to a recognised corporate governance code of conduct, it shall identify the code and provide an explanation for any situations where it deviates from the code.

3. A credit rating agency shall provide the information set out in points 1 and 2 of Annex V on the members of its administrative or supervisory board.

4. A credit rating agency shall provide ESMA with a copy of the documents referred to in point 3 of Annex V.

SECTION 4

Financial resources for the performance of credit rating activities

Article 13

Financial reports

1. A credit rating agency shall provide ESMA with a copy of its annual financial reports, including individual and consolidated financial statements where applicable, for the three financial years preceding the date of the submission of its application to the extent available. Where the financial statements of the credit rating agency are subject to statutory audit within the meaning given in Article 2(1) of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts⁽¹⁾, the financial reports shall include the audit report on the annual and consolidated financial statement.

2. Where the financial reports referred to in paragraph 1 are not available for the requested period of time, a credit rating agency shall provide ESMA with an interim financial report.

3. Where the credit rating agency is a subsidiary of a group of undertakings, it shall provide the annual financial reports of the parent undertaking for the three financial years preceding the date of the submission of its application.

4. A credit rating agency shall provide ESMA with a description of the measures it has adopted to ensure sound accounting procedure.

SECTION 5

Staffing and compensation

Article 14

Staffing policies and procedures

1. A credit rating agency shall provide ESMA with information regarding the following policies and procedures:

(a) reporting to the compliance officer of any situations where one of the persons referred to in point 1 of Section C of Annex I to Regulation (EC) No 1060/2009 considers that any other such person has engaged in conduct that he or she considers illegal, pursuant to the provisions of point 5 of Section C of Annex I to Regulation (EC) No 1060/2009;

(b) the rotation of lead rating analysts, rating analysts and persons approving credit rating;

⁽¹⁾ OJ L 157, 9.6.2006, p. 87.

- (c) the compensation and performance evaluation practices for rating analysts, persons approving credit ratings, senior management and the compliance officer;
- (d) the training and development relevant to the rating process, including any examination or other type of formal assessment required for the conduct of rating activities.

2. A credit rating agency shall also provide ESMA with:

- (a) a description of the measures in place to mitigate the risk of over-reliance on individual employees;
- (b) for each class of credit ratings, information on the size and experience of the quantitative teams responsible for developing and reviewing methodologies and models;
- (c) the name and function of any employee of the credit rating agency who has obligations, either individually or on behalf of the credit rating agency, to any other entity within the group of credit rating agencies;
- (d) the average annual fixed and variable remuneration of the rating analysts, lead analysts and the compliance officer for each of the preceding three financial years.

3. A credit rating agency shall describe the arrangements in place to ensure that it is informed when a rating analyst terminates his or her employment and joins a rated entity as set out in point 6 of Section C of Annex I to Regulation (EC) No 1060/2009. A credit rating agency shall describe the arrangements in place to ensure that the persons referred in point 1 of Section C of Annex I to Regulation (EC) No 1060/2009 are aware of the prohibition established as set out in point 7 of Section C of Annex I to Regulation (EC) No 1060/2009.

Article 15

Fitness and appropriateness

1. A credit rating agency shall provide ESMA with the curriculum vitae, including employment history with relevant dates, identification of positions held and a description of the functions occupied, for each of the following:

- (a) members of senior management;
- (b) persons appointed to direct the business of the branches;
- (c) officers responsible for internal audit, internal control, compliance function, risk assessment and review function.

2. A credit rating agency shall provide ESMA with the following information in respect of each member of its senior management:

- (a) a recent criminal-record file from the country of origin of the relevant person, unless the relevant national authorities do not issue such a file;
- (b) a self-declaration of their good repute including at least the statements set out in Annex VI and signed by the individual.

SECTION 6

Issuance and review of credit ratings

Article 16

Development, validation, review and disclosure of rating methodologies

1. A credit rating agency shall provide ESMA, for each class of credit rating, with a high-level description of the range of core models and methodologies used to determine credit ratings.

2. A credit rating agency shall provide ESMA with the following information regarding its policies and procedures:

- (a) information regarding the development, validation and review of its rating methodologies, including at least the information set out in point 1 of Annex VII;
- (b) information regarding the disclosure of the credit methodologies and descriptions of models and key rating assumptions used in its credit rating activities as set out in point 5 of Part I of Section E of Annex I to Regulation (EC) No 1060/2009.

Article 17

Issuance of credit ratings

1. A credit rating agency shall provide ESMA with the following information:

- (a) the rating nomenclatures used for each class of credit rating;
- (b) the definition of any rating action and statuses used by the credit rating agency;
- (c) its policies and procedures regarding the issuance of credit ratings, including at least the information set out in point 2 of Annex VII;
- (d) the terms of reference of any rating committees;
- (e) a description of the arrangements in place for disclosing a rating decision, including at least the information set out in point 3 of Annex VII;

(f) a description of the procedures in place to ensure that a methodology is applied and implemented consistently across classes of credit rating, offices and regions.

2. A credit rating agency shall identify any differences between the treatment of unsolicited and solicited ratings in the policies and procedures provided under points (c) and (e) of paragraph 1.

3. Where the rating process is regularly audited by an independent third party, a credit rating agency shall provide ESMA with the last audit report.

4. A credit rating agency shall also provide ESMA with the following information:

- (a) details and criteria for the selection of data providers;
- (b) details on the reliability of internal and external data input into rating models;
- (c) details of the data sources used.

Article 18

Monitoring of credit ratings

A credit rating agency shall provide ESMA with information regarding its policies and procedures concerning:

- (a) the monitoring of ratings, identifying any differences between solicited and unsolicited ratings, and including at least the information set out in point 4 of Annex VII;
- (b) the disclosure of the decision to review or change a rating;
- (c) the monitoring of the impact of changes in macroeconomic or financial market conditions on credit ratings as described in Article 8(5) of Regulation (EC) No 1060/2009.

SECTION 7

Description of issue and review procedures and methodologies

Article 19

Credit rating presentation requirements

A credit rating agency shall provide ESMA with information regarding the following items:

- (a) policies and procedures with respect to the credit rating disclosure requirements laid down in the following provisions of Regulation (EC) No 1060/2009:
 - (i) paragraphs 1, 2 and 5 of Article 10;
 - (ii) Part I of Section D of Annex 1;

(b) where the credit rating agency rates structured instruments, policies and procedures with respect to the following provisions of Regulation (EC) No 1060/2009:

- (i) Article 10(3);
- (ii) point 4 of Section B of Annex I;
- (iii) Part II of Section D of Annex I;

(c) samples of typical credit rating reports or other documents demonstrating how the credit rating agency meets or intends to meet these disclosure requirements; and

(d) samples of typical rating letters for each class of credit rating produced by the credit rating agency.

SECTION 8

Conflicts of interest

Article 20

Independence and avoidance of conflicts of interest

1. A credit rating agency shall provide ESMA with information regarding its policies and procedures with respect to the identification, management and disclosure of conflicts of interest and the rules on rating analysts and other persons directly involved in credit rating activities covering at least the requirements set out in Annex VIII.

2. A credit rating agency shall describe the process used to ensure that the relevant persons are aware of the policies and procedures referred to in paragraph 1. A credit rating agency shall describe the arrangements in place to ensure that the review function responsible for reviewing the methodologies set out in point 9 of Section A of Annex I to Regulation (EC) No 1060/2009 is independent of the business lines which are responsible for credit rating activities.

3. A credit rating agency shall describe the controls put in place, including the controls implemented through information systems, in order to comply with the requirements of paragraphs (2) and (3) of Article 7 of Regulation (EC) No 1060/2009 on the negotiation of fees and the rules on persons involved in rating activities.

4. A credit rating agency shall describe any other measures and controls put in place to ensure the independence of its rating analysts.

Article 21

Inventory of conflicts of interest

1. A credit rating agency shall provide ESMA with an up-to-date inventory of existing and potential conflicts of interest relevant to it. Where a credit rating agency is part of a group of undertakings, it shall include in the inventory any conflicts of interest arising from other entities which belong to its group of undertakings.

2. The inventory of existing and potential conflicts of interest shall identify the following potential conflicts of interest:

- (a) any potential conflicts of interest with related third parties;
- (b) any potential conflicts of interest arising from the carrying out of ancillary services and the outsourced rating activities;

3. The inventory referred to in paragraph 1 shall explain how the potential conflicts of interest are to be eliminated or managed and disclosed.

Article 22

Conflicts of interest with respect to ancillary services

1. A credit rating agency shall provide ESMA with a description of the resources, both human and technical, shared by the rating and ancillary services of the credit rating agency or shared with the group of undertakings to which it belongs.

2. A credit rating agency shall describe the arrangements in place to prevent, disclose and mitigate any existing or potential conflicts of interest between the rating business and ancillary services.

3. A credit rating agency shall provide ESMA with a copy of the results of any internal assessment performed to identify any existing or potential conflict of interest between the rating business and ancillary services.

SECTION 9

Programme of operations

Article 23

Information regarding the programme of operations

A credit rating agency shall provide ESMA with the annual information described in Annex IX covering a period of three years following the date of registration.

SECTION 10

Use of endorsement

Article 24

Expected use of endorsement

Where a credit rating agency intends to endorse credit ratings issued in third countries as set out in Article 4(3) of Regulation (EC) No 1060/2009, it shall provide ESMA with the information set out in Annex XI.

SECTION 11

Outsourcing

Article 25

Outsourcing requirements

1. Where a credit rating agency outsources any important operational functions, it shall provide ESMA with the following information:

- (a) its policies with respect to outsourcing;
- (b) an explanation on how it intends to identify, manage and monitor the risks posed by the outsourcing of important operational functions;
- (c) a copy of the outsourcing agreements between the credit rating agency and the entity to which the activities are outsourced;
- (d) a copy of any internal or external report on the outsourced activities issued in the past five years.

2. For the purposes of paragraph 1, important operational functions shall comprise rating review, lead analyst, rating methodology development and review, rating approval, internal quality control, data storage, IT systems, IT support and accounting.

CHAPTER 3

CERTIFICATION

SECTION 1

Application for certification

Article 26

Information for application for certification

1. A credit rating agency shall provide ESMA with the following information:

- (a) the general information requested in points 1 to 10 of Annex II;
- (b) the information regarding its owners referred to in Article 8;
- (c) the organisational chart referred to in Article 10;
- (d) details on the arrangements in place to prevent, disclose and mitigate any existing or potential conflicts of interest between the rating business and ancillary services;
- (e) the information referred to in Article 13 regarding the credit rating agency's financial resources.

2. A credit rating agency shall provide ESMA with the following information regarding its business activities:

- (a) for the preceding three years, the number of employees contracted and involved in the rating and ancillary services both permanent and temporary;
- (b) if the applicant has a branch, the number of employees involved in the rating and ancillary business in each branch;

- (c) the number of rating analysts contracted to the applicant including, if the credit rating agency has a branch, the number of rating analysts contracted in each branch;
- (d) if a credit rating agency is planning to establish a new branch, a description of the type of business activities the new branch is expected to conduct, its full name and address and the timeframe for its establishment;
- (e) if a credit rating agency is planning to conduct any new ancillary services, a description of the new services and the timeframe for their commencement;
- (f) the revenue generated over the past three years by the credit rating agency from rating and ancillary services as a proportion of total revenue, presented on a financial year basis;
- (g) if the credit rating agency has one or more branches, the revenue generated over the past three years by each branch as a proportion of total revenue, presented on a financial year basis.

3. A credit rating agency shall also provide ESMA with the following information regarding the credit ratings it issues or proposes to issue:

- (a) the class of credit ratings;
- (b) the rating nomenclatures used for each class of credit rating;
- (c) the definition of any rating action and statuses used by the credit rating agency;
- (d) details of whether the credit rating agency produces solicited or unsolicited ratings or both;

- (e) for each class of credit rating, the number of years of experience it has in producing these ratings;
- (f) for each class of credit rating, the current or expected proportion of public ratings and private ratings.

4. The credit rating agency shall indicate whether it currently holds, or expects to apply for, External Credit Assessment Institution (ECAI) status in one or more Member States and, if so, it shall identify the relevant Member State.

Article 27

General requirements for the application for certification

A credit rating agency shall ensure that its application complies with Articles 2 to 6 regarding the format of its application, the attestation of its accuracy, the class of credit ratings, number of employees and the policies and procedures provided to ESMA.

SECTION 2

Systemic importance

Article 28

Systemic importance

A credit rating agency shall provide ESMA with the information set out in Annex XII regarding the systemic importance of its credit ratings and credit rating activities to the financial stability or integrity of the financial markets of one or more Member States.

CHAPTER 4

FINAL PROVISIONS

Article 29

Entry into force

This Regulation shall enter into force on the 20th 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, 21 March 2012.

For the Commission
The President
José Manuel BARROSO

ANNEX I

DOCUMENT REFERENCES*(Article 2)*

Article of, or Annex to, this Regulation	Credit rating agency reference number	Title of the document	Chapter or section or page of the document where the information is provided or reason why the information is not provided
...			
...			
...			
...			

ANNEX II

GENERAL INFORMATION*(Article 7)*

1. Full name
 2. Country of establishment
 3. Address of registered office
 4. Legal status
 5. With respect to the contact person(s) for the purpose of the application:
 - (a) name;
 - (b) title;
 - (c) address;
 - (d) e-mail address;
 - (e) telephone number.
 6. With respect to the Compliance Officer:
 - (a) name;
 - (b) title;
 - (c) address;
 - (d) e-mail address;
 - (e) telephone number.
 7. Description of the business activities the credit rating agency conducts, including ancillary services, and if it has one or several branches or subsidiaries, the business conducted by each branch or subsidiary
 8. Identification of the class of credit ratings according to the categories specified in Article 5 for which the credit rating agency applies to be registered
 9. Identification of the regulated markets where the credit rating agency is listed, if applicable
 10. Financial reports:
 - (a) indication on whether the credit rating agency is an audited entity;
 - (b) if the credit rating agency is audited, name of the external auditor and national registration number of the external auditor;
 - (c) date of the financial year end.
 11. Number of employees (excluding employees located in branches) as at the date of application and as at the close of each of the three most recent financial years, reported in the following categories:
 - (a) temporary employees;
 - (b) permanent employees with under five years' service;
 - (c) permanent employees with five years' or more service.
 12. If a credit rating agency has branches, with respect to each branch:
 - (a) full name;
 - (b) legal status;
 - (c) address; and
 - (d) number of temporary employees and of permanent employees.
 13. List of countries from which the credit rating agency intends to endorse credit ratings
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ANNEX III

INFORMATION TO BE PRESENTED WITH REGARD TO THE OWNERSHIP STRUCTURE*(Article 8)*

1. Identification of the credit rating agency owners referred to in Article 8(1) with the following level of detail:

Owner	Percentage of capital	Nature of the holding: direct or indirect	Percentage of voting rights	
...	...			
...	...			
...	...			

2. Description of the business activities of the credit rating agency owners referred to in Article 8(1):

Owner	Business activities
...	...
...	...
...	...

3. Identification of the business activities of the companies in which the owners referred to in Article 8(1) have an interest according to Article 8(2):

Owner	Companies in which the owner has an interest according to Article 8(2)	Business activities
...	...	
...	...	
...	...	

4. Identification of the owners of the parent undertaking referred to in Article 8(3):

Owner	Percentage of capital	Nature of the holding: direct or indirect	Percentage of voting rights	Nature of the holding: direct or indirect
...	...			
...	...			
...	...			

ANNEX IV

ORGANISATIONAL STRUCTURE*(Article 11)*

1. A credit rating agency shall provide the following information regarding policies and procedures referred to in Article 11(1):
 - (a) a description of the roles and responsibilities of the employees;
 - (b) a description of the mechanisms to monitor the effectiveness of the policy or procedure;
 - (c) the number of employees and the ratio of temporary to permanent employees;
 - (d) information on the reporting lines and the frequency of reporting; and
 - (e) a description of the interaction between the relevant function and employees directly involved in the rating process and between that function and any other functions.
 2. Where the arrangements referred to in point 1 of this Annex are carried out at group of undertakings level, a credit rating agency shall provide ESMA with a copy of relevant service level agreements that it has entered into, or proposes to enter into, with other group members, and the following information:
 - (a) a description of the relevant tasks carried out by each group undertaking, including undertakings located in third countries;
 - (b) a clear identification of the undertaking involved in performing the task, specifying its location;
 - (c) information on the reporting lines and frequency of reporting of each entity involved and on the way information is collected from each entity; and
 - (d) information on any dedicated resources located in the Union. In the case of human resources, a credit rating agency shall specify the time devoted to the function on the basis of full time equivalence.
 3. With respect to the compliance function, a credit rating agency shall provide the following information:
 - (a) the policies and procedures on the reporting of information as described in point 5 of Section C of Annex I to Regulation (EC) No 1060/2009;
 - (b) a description on how it ensures the independence of the compliance function;
 - (c) the most recent report of the compliance officer;
 - (d) a work plan for the next three years.
 4. With respect to the internal audit function carrying out the tasks described in point 10 of Section A of Annex I to Regulation (EC) No 1060/2009, a credit rating agency shall provide the following information:
 - (a) an explanation of how its internal audit methodology is developed and applied in accordance with the special features of its activities and their extent, complexity and risks;
 - (b) a work plan for the next three years.
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ANNEX V

INFORMATION TO BE PRESENTED WITH REGARD TO CORPORATE GOVERNANCE

(Article 12)

1. Identification of the members of the administrative or supervisory board and other committees as established in Article 12(3):

Identification of the member	Body (administrative board, supervisory board, audit committee, remunerations committee, etc.) and position (Chair, vice-chair, member)	Body of other undertakings where the person is a member and position
...	...	
...	...	
...	...	

2. Identification of the independent members of the administrative or supervisory board as established in Article 12(3) and justification of their independence if they are independent members and of their in-depth knowledge and experience at a senior level of the market in structured finance instruments, where the credit agency applies to issue credit ratings of structured finance products, according to Section A(2) of Annex I to Regulation (EC) No 1060/2009:

Identification of the member	Body (administrative or supervisory board)	Independent member (YES/NO) and if YES, provide justification	Experience in structured finance instruments (YES/NO) and if YES, provide justification
...	...		
...	...		
...	...		

3. A credit rating agency shall provide to ESMA a copy of the following documents as established in Article 12(4):

- (a) the last three sets of minutes of the meetings of the administrative and supervisory board;
- (b) the most recent minutes of the meetings of any other committees, such as the remuneration or strategy committees; and
- (c) the last three opinions or reports presented to the administrative or supervisory board by the independent members.

ANNEX VI

SELF DECLARATION*(Article 15(2))*

In the self-declaration to be provided under Article 15(2)(b), each member of the senior management shall state whether the relevant person falls under any of the following categories:

- (a) has been convicted of any criminal offence;
 - (b) has been subject to or has been notified of any proceedings of a disciplinary nature brought by a regulatory body or of a criminal nature;
 - (c) has been subject to any adverse finding in civil proceedings in connection with the provision of financial services, misconduct, fraud or the management of a legal entity;
 - (d) has to his or her knowledge been subject to any existing or previous investigation by any regulatory authority or government bodies or agencies;
 - (e) has been involved with an undertaking whose registration or authorisation was withdrawn by a regulatory body;
 - (f) has been refused the right to carry on activities which require registration or authorisation by a regulatory body;
 - (g) has been involved in the management of an undertaking which has gone into insolvency, liquidation or administration while this person was connected to the undertaking or within a year of the person ceasing to be connected to the undertaking;
 - (h) has been involved with an undertaking which was investigated or suspended by a regulatory body and which resulted in an enforcement action;
 - (i) has been investigated, suspended or sanctioned by a regulatory body;
 - (j) has been disqualified from acting as a director, disqualified from acting in any managerial capacity, dismissed from employment or other appointment in an undertaking as a consequence of allegations of misconduct or malpractice.
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ANNEX VII

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

1. The information regarding the policies and procedures referred to in Article 16(2)(a) regarding the development, validation and review of the CRA's rating methodologies shall include:
 - (a) the responsibilities and process for rating methodology development and sign off, including details on the composition of the rating methodology committees and the procedures for members' selection;
 - (b) the responsibilities and process for rating methodology, including:
 - (i) the verification and validation of a rating methodology;
 - (ii) the validation of the rating methodology based on historical data, including how the results of the back-testing are taken into account. In addition, the credit rating agency shall also include the results of such validation/back-testing for the past three years, where quantitative data is available;
 - (iii) the reporting of the outcome of the rating methodology review; and
 - (iv) the implementation of a change in methodology, model or key rating assumptions.
2. The information regarding the policies and procedures referred to in Article 17(1)(c) regarding the issuance of credit ratings shall include:
 - (a) the sequence of steps followed for the production of ratings; the process for reviewing the documentation of issuers or securities to be rated. This shall include any benchmark used to facilitate the review;
 - (b) an assessment of the minimum information requirements to initiate and maintain a rating, including both public and non-public information;
 - (c) the controls mechanisms for the issuance of credit ratings, including the involvement of the issuer/arranger/investor/servicer within this process;
 - (d) the process for collation, analysis and assessment of the information used to determine a rating, including, where applicable, reliance on analysis by another credit rating agency or other third parties;
 - (e) the role and responsibilities of rating analysts, as well as the process and procedures for their selection on specific securities;
 - (f) the rating approval process, including the identification of the role and responsibilities of the persons approving the ratings as well as the process and procedures for their selection;
 - (g) where a credit rating agency has established rating committees, the role and responsibilities of rating committee chairs, as well as the skills required and the process and procedures for their nomination; and
 - (h) the minimum qualifications of the persons involved in the rating decision.
3. The information regarding the policies and procedures referred to in Article 17(1)(e) regarding the disclosure of a rating decision shall include the following:
 - (a) the process for notifying the rated entity of the principal grounds on which the rating is based at least 12 hours before publication of the credit rating;
 - (b) a rating appeal process, if a credit rating agency has implemented it; and
 - (c) the processes for determining which key elements underlying the credit rating shall be included in the press release or reports.
4. The information regarding the policies and procedures referred to in Article 18(a) regarding the monitoring of ratings shall include:
 - (a) the monitoring process, including the role and responsibilities of rating committees, where applicable, and a description of the rating approval processes;
 - (b) the role and responsibilities of rating analysts;

- (c) the process for collation, analysis and assessment of the information used to monitor a rating, including, where applicable, reliance on analysis by another credit rating agency or other third parties;
- (d) the process, including the overview of the factors considered, and the responsibilities for deciding when a rating should be formally reviewed, including rating actions;
- (e) the process and the responsibilities for deciding when a rating should be formally suspended or withdrawn;
- (f) the processes and controls with respect to credit rating reviews required by paragraphs (a) to (c) of Article 8(6) of Regulation (EC) No 1060/2009; and
- (g) the policies, procedures and controls for the involvement of the issuer or arranger within the process.

ANNEX VIII

INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

(Article 20)

The information on the policies and procedures established in Article 20(1) regarding the identification, management and disclosure of conflicts of interest and the rules on rating analysts and other persons directly involved in credit rating activities shall cover:

- (a) the identification, prevention, disclosure and mitigation of conflicts of interests arising from the issuing of credit ratings or the provision of ancillary services as set out in point 1 of Section B of Annex I to Regulation (EC) No 1060/2009;
 - (b) the segregation from the rating process of discussions related to fees received from rated entities and related third parties as set out in Article 7(2) of Regulation (EC) No 1060/2009;
 - (c) the determination of fees charged by credit rating agencies to rated entities and related third parties; the control of the confidential information obtained from, or shared with, all rated entities, related third parties and other relevant individuals, as required by point 3 of Section C of Annex I to Regulation (EC) No 1060/2009;
 - (d) the requirements set out in point 2 of Section C of Annex I to Regulation (EC) No 1060/2009 regarding the trading in securities rated by the credit rating agency or which are securities representing obligations of an entity rated by the credit rating agency, containing information on how the credit rating agency identifies, for each credit rating outstanding, the employees involved in the rating process at any level or function;
 - (e) the requirement set out in point 4 of Section C of Annex I to Regulation (EC) No 1060/2009 regarding the acceptance of money, gifts or favours; and
 - (f) the rules on the termination of a rating analyst's employment set out in points 6 and 7 of Section C of Annex I to Regulation (EC) No 1060/2009.
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ANNEX IX

PROGRAMME OF OPERATIONS*(Article 23)***Business concept/Business development**

1. The following information regarding the CRA's business activities:
 - (a) a description of the macroeconomic environment in which the credit rating agency is expected to operate;
 - (b) an indication of future plans for the establishment of subsidiaries or branches and their location; and
 - (c) a description of the business activities which the credit rating agency plans to carry out, specifying the activities of subsidiaries and branches. The information shall include classes of credit ratings, potential clients and non-rating activities.

Class of credit ratings

2. The following information regarding the class of credit ratings:
 - (a) details of whether the credit rating agency plans to produce solicited or unsolicited ratings or both;
 - (b) for each class of credit ratings planned to be issued by the credit rating agency, an estimation on the proportion of public ratings and private ratings;
 - (c) the number of public/sovereign ratings;
 - (d) the number and volume (in billions of euro) of structured finance ratings;
 - (e) the number and volume (in billions of euro) of corporate ratings, with the following detail: financial institutions, insurance, corporate issuers; and
 - (f) the average number of credit ratings produced or monitored per employee presented by class of credit rating.

Financial plan

3. Projections for:
 - (a) balance sheet; and
 - (b) income statement.
4. The credit rating agency shall separate the revenues of the rating activities from the ancillary services in the projections for the revenues. If the credit rating agency has, or plans to establish, branches, the revenue from each branch shall be indicated.

Corporate governance

5. Number of members of the following bodies:
 - (a) administrative and supervisory board; and
 - (b) independent members of the administrative and supervisory board.

Outsourcing

6. A description of the activities planned to be outsourced, and identification of the entities to which the activities are planned to be outsourced and an explanation of the reasons for outsourcing. If any activity is outsourced from a branch, this should be indicated.

Human Resources/Staffing

7. Number of permanent and temporary employees working for the following functions and their seniority:
 - (a) senior management other than members of the administrative or supervisory board and persons appointed to direct the branches;
 - (b) audit function;
 - (c) internal control mechanism;
 - (d) compliance function; and
 - (e) review function.

8. The following information:

- (a) the number of employees per functions/departments;
 - (b) the number of temporary employees and the number of permanent employees contracted to the credit rating agency and involved in the rating business;
 - (c) the number of temporary employees and the number of permanent employees contracted to the credit rating agency involved in the ancillary services;
 - (d) the number of employees approving ratings, such as committee chairs, rating analysts and lead rating analysts, together with information on:
 - (i) their seniority or rank;
 - (ii) the type of rating analyst including, where relevant, whether the employee is a primary or surveillance analyst and a qualitative or quantitative analyst; and
 - (iii) the number of years of experience in the credit rating agency, or rating industry where available.
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ANNEX X

RECORD KEEPING, BUSINESS CONTINUITY PLANNING AND INFORMATION SYSTEMS*(Article 11)***Record keeping**

1. Information regarding the policies and procedures regarding the record keeping obligations set out in Article 8(4) and point 7 of Section A and points 7, 8 and 9 of Section B of Annex I to Regulation (EC) No 1060/2009:
 - (a) an indication on which records are kept and for how long; and
 - (b) an identification of the recipients of confidential information for each rating issued.

Continuity and regularity of the activities

2. Information regarding the continuity and regularity in the performance of the credit rating activities as set out in point 8 of Section A of Annex I to Regulation (EC) No 1060/2009, including:
 - (a) description of the procedures to ensure continuity and regularity in the performance of the credit rating activities, including information on their applicability to service providers to which activities have been outsourced;
 - (b) the types of business continuity planning tests expected to be conducted; and
 - (c) the frequency of testing.

Information processing systems

3. Information regarding the information processing systems as set out in point 8 of Section A of Annex I to Regulation (EC) No 1060/2009, including:
 - (a) the identity of the senior manager responsible for the information processing systems;
 - (b) a description of the information processing systems including any back-up systems; and
 - (c) a description of effective control and safeguard arrangements for the information processing systems in place as well as the mechanisms to monitor their effectiveness, including details of the procedures in place to ensure effective separation between the information processing systems used to report fees from those accessible to rating analysts and used to enter ratings and information about the rated entities or rated transactions.
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ANNEX XI

USE OF ENDORSEMENT*(Article 24)***Third-country credit rating agency**

1. The following information for each relevant third-country credit rating agency:
 - (a) its full name;
 - (b) its legal status, including an excerpt from the relevant commercial or court register, or other form of evidence of the place of incorporation and scope of business activity or other details of company registration;
 - (c) its country of establishment;
 - (d) the address of its registered office;
 - (e) evidence that the third-country credit rating agency is authorised or registered and is subject to supervision in the relevant jurisdiction;
 - (f) the class of credit rating which the credit rating agency expects to endorse; and
 - (g) the number of analysts it employs.
2. An organisational ownership chart of each credit rating agency, its subsidiaries, branches, parent undertaking and subsidiaries controlled by the parent undertaking involved in the process of issuing ratings for which endorsement is envisaged.

Assessment of the third-country regulatory regime

3. In relation to each relevant third-country jurisdiction, detailed information, structured analysis and reasoning for each requirement set out in Articles 6 to 12 of Regulation (EC) No 1060/2009, including any reference to the relevant sections of the third-country law/regulation.

The obligation set out in the first subparagraph of this point shall not apply where ESMA is satisfied that the requirements of the third-country regime are as stringent as the requirements set out in Articles 6 to 12 of Regulation (EC) No 1060/2009.

Procedures to monitor conduct

4. A description of the measures put in place by the endorsing credit rating agency to monitor that the third-country credit rating agency is fulfilling such requirements and to monitor any potential concerns identified by the endorsing credit rating agency with respect to the fulfilment of such requirements.

Objective reasons

5. An indication of objective reasons for credit ratings to be issued in a third country.

Legislation in the third country

6. Evidence that public authorities are not entitled to interfere with the content of credit ratings and methodologies used by credit rating agencies incorporated in each relevant third-country jurisdiction.

ANNEX XII

SYSTEMIC IMPORTANCE INDICATORS

(Article 28)

1. A credit rating agency shall provide ESMA with the volume of outstanding credit ratings it has issued with the details set out in the following table. The information regarding the corporate rating and sovereign and public finance ratings shall be provided on the basis of number of credit ratings and the information regarding structured finance ratings shall be provided on the basis of the amount (in millions of euro) of issuing of the structured finance instruments.

	Total
Corporate ratings (number of credit ratings)	
Financial institution including credit institutions and investment firms	
Insurance undertaking	
Corporate issuer that is not considered a financial institution or an insurance undertaking	
Sovereign and public finance ratings (number of credit ratings)	
Structured Finance ratings (amount of the issuing in millions of euro)	

2. A credit rating agency shall provide information on the annual revenues generated in any European Union Member State and in other countries outside the European Union for the past three years with the following level of detail:

	EU Member State 1	EU Member State 2	EU Member State 3	(...)	Other non-EU countries	Total
Rating activities						
From rated entities or related third parties						
From subscribers						
Other sources						
Non-rating activities						

Member States shall be individually identified.