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June 18, 2010

Committee of European Securities Regulators (“CESR”)
Via email

Re: Consultation Paper on the Enforcement Practices and Activities to be Conducted under Article 21.3 (a) of the Regulation (“Consultation Paper”)

Dear CESR:

As a member of CESR’s Consultative Working Group (“CWG”) ¹, DBRS appreciates the opportunity to provide its comments on the Consultation Paper. DBRS plans to apply for registration under the European Union Regulation on Credit Rating Agencies (EU CRA Regulation) by the end of summer 2010.

The Consultation Paper sets out typical information and data that competent authorities would expect to receive as part of their ongoing supervision of credit rating agencies (CRAs). It also outlines the level of interaction competent authorities expect to have with CRAs in the form of regular and ad-hoc meetings. The Consultation Paper states that the guidance is not exhaustive, and does not prohibit further information requests, onsite inspections or investigations where competent authorities deem necessary. Competent authorities may conduct onsite inspections or investigations themselves or through third parties (like audit companies).

According to Article 21.3(a) of the EU CRA Regulation such guidance must be issued by September 7, 2010. However, the Consultation Paper also acknowledges that the guidance may be altered to reflect the possible change in supervisory responsibility to the European Securities and Markets Authority (ESMA).

DBRS Comments

DBRS understands that it is premature to determine what, if anything would change regarding standards for information and data, and interaction with regulators under ESMA. However, CRAs which have applied for registration under the EU CRA Regulation will begin in the interim to develop and implement the required operational and compliance data sets determined by CESR. Should ESMA determine a significantly different set of requirements would result in unnecessary additional costs and resourcing for CRAs. On

¹ The CWG provides ongoing advice relating to the implementation and application of EU CRA Regulation and the related rules and guidance.



this basis, DBRS requests any additional detail regarding possible ESMA changes that can be provided in CESR's final guidance would be very helpful to CRAs.

As drafted, the guidance indicates that operational data will be requested on a monthly basis and cover ratings updates (including withdrawals), new issuances, methodologies reviews, internal control reviews, financial data and information on staff turnover. The guidance also states that compliance data will be requested on a monthly or quarterly basis, depending on the scale of the CRA business. These requests may include an updated work plan, identification and mitigation of potential conflicts of interests or breaches, compliance reports as well as any internal audit or risk reports produced by the CRA. Board minutes may also be requested where relevant. The Appendix outlines in detail the standard set of information and ad-hoc requests that CRAs should expect.

DBRS suggests that the proposed level and frequency of operational and compliance data should be proportional to the size and complexity of the supervised CRA. For example, a CRA should be permitted to provide operational data on a quarterly basis and would advise its competent authority(ies) of any material changes in existing information and/or material new information on a timely basis. Similarly, compliance data could be provided every six months with interim updates and information on material matters.

The guidance and its Appendix also set out typical expected interaction between regulators and key staff and management of supervised CRAs. Such interaction includes: the Chairman and representatives of the administrative/supervisory board including independent directors (annual); Chief Executive Officer (annual); Head of Internal Audit (where applicable, annual); Head of Technology (every six months); Credit Risk Officer (every six months); Senior Management (quarterly regarding strategy and business plan); CCO (monthly); and ad-hoc meetings regarding identified risk issues with any member of staff.

DBRS agrees with the statement in the guidance that "the number and frequency of meetings should be proportionate to the size and structure of a CRA, whether it is part of a Group, as well as on individual circumstances. " As an example, meetings with the Heads of Internal Audit and Technology, the Credit Risk Officer and Senior Management should be permitted on an annual basis for new or smaller CRAs. Meetings with the CCO should be permitted every six months with interim discussion on material changes in the CRA's compliance, internal audit and/or risk profile, and regarding potential breaches and conflicts of interest as they arise.

The guidance indicates that the CRA can expect to receive an advanced schedule of meetings that will highlight the key individuals that regulators wish to meet and will also be provided a written agenda nearer the time of the meeting. DBRS suggests that the roster of meetings to be held during the year should be scheduled annually to the extent possible. In addition, written agendas should be provided based on a set schedule to allow sufficient



time for the CRA to prepare for each meeting. CRAs should also receive sufficient notice of the attendance of competent authorities other than their home regulator(s).

The guidance states that regulators may approach related third parties in the case of specific investigations and request ad-hoc meetings on specific issues in identified risk areas. DBRS suggests that in these cases, sufficient written notice should be provided to the supervised CRA to allow it to make appropriate arrangements.

DBRS would be pleased to further discuss any of the matters raised herein and/or provide additional information. Please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mary Keogh".

Mary Keogh
Managing Director
Global Regulatory Affairs
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