



Insight beyond the rating.

DBRS Tower
181 University Avenue
Suite 700
Toronto, ON M5H 3M7
TEL +1 416 593 5577
FAX +1 416 593 8432
www.dbrs.com

June 20, 2011

To: ESMA

Via e-mail to: www.esma.europa.eu

Re: DBRS' response to Call for Evidence on ratings data periodic reporting requirements for credit rating agencies (CRAs) according to Article 21(3)(e) of the Amending CRA Regulation 513/2011 (Call for Evidence)

DBRS¹ appreciates the opportunity to provide its comments on this Call for Evidence.

As part of its mandate for ongoing supervision through receipt of operational information, ESMA is considering two different options regarding the content and format of the ratings data that registered or certified CRAs will have to send on a monthly basis; these are:

- a) analytical data concerning specific rating actions (Option 1); or
- b) aggregated data regarding ratings (Option 2).

Option 1 would require at a minimum fourteen pieces of information for each rating action taken by the CRA during each month. ESMA states that this option of “a continuous flow of micro-data on rating actions could assist in implementing an effective and efficient supervision on CRAs. If, on the basis of this information, some criticalities are then identified related to a specific rating action, so that a possible breach of the Regulation is identified, ESMA can make more detailed requests to the CRA to continue its investigation. “

Option 2 would require ratings data in an aggregate and summarized form to allow for an analysis by ESMA at a higher level². Such information would include among other things, outstanding ratings, new ratings, number of upgrades and downgrades, number of ratings under credit watch – improved and deteriorated, and the number of ratings transitions. ESMA states that this option “may allow supervisors to draw meaningful conclusions by having a good understanding of the rating activities of a specific CRA over the past reporting period, in order to assess trends and identify potential issues. Further ratings specific data could then be requested in a targeted manner, if necessary. “

Information reported to ESMA under Option 1 or 2 would be kept confidential and shared only among competent supervisors. None of the information would be published by ESMA. The data will be submitted to ESMA in a XML format.

¹ DBRS operates its rating business through DBRS Limited, DBRS, Inc. and DBRS Ratings Limited.

² Call for Evidence indicates that regulators would still have the possibility to request detailed information where necessary pursuant to Article 23 of Amending CRA Regulation 513/2011.



Both Option 1 and Option 2 would be generally manageable for DBRS with some additional data and technology resourcing and cost required for each. However, DBRS suggests that Option 2 is more aligned with ESMA's overall objective for effective ongoing CRA oversight and supervision. Option 1 would require ESMA staff to be mired in significant micro-data analysis from the start among their other CRA responsibilities. Option 2 would offer ESMA staff the opportunity to first focus on understanding systemic trends and issues at a particular CRA and/or across CRAs which would then alert staff to further drill down and request additional ratings information, as necessary. Moreover, effective July 1, 2011, ESMA will receive detailed ratings action data from each registered CRA twice per annum through submission of such data to the Central Repository (CEREP).

Together, submission of monthly aggregate data under Option 2 and semi-annual detailed ratings information through CEREP should enable ESMA to effectively carry out its ongoing supervisory mandate.

For the above noted reasons, DBRS supports Option 2.

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
416.597.3614